PT Lippo Karawaci Tbk
2005 Annual Report

Impacting Lives

Lippo Karawaci

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As a broad-based property development Company, Lippo Karawaci is making ongoing efforts to provide benefits to our customers, shareholders and other stakeholders. This is further expressed in our earnest commitment to

Impacting Lives.

Vision

To be the premier broad-based property company committed to impact people's lives in everything we do and to continue creating shareholder values.

Mission

- To meet the needs of Indonesian middle and upper class consumers, in the areas of quality housing, shopping centers, commercial development, healthcare, entertainment, infrastructure and hospitality.

- To maintain sustainable business growth through building strong recurring income and sustainable development activities.

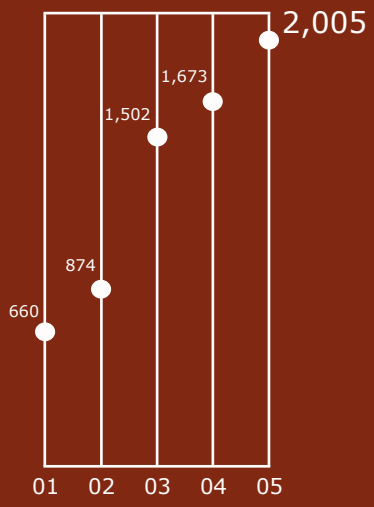
Financial Highlights

	2005	2004	2003*)	2002*)	2001*)
PROFIT AND LOSS (in billion Rupiah)					
Revenue	2,005	1,673	1,502	874	660
Gross Profit	999	774	620	283	235
EBITDA	623	450	341	12	-
Operating Profit (Loss)	536	368	276	(52)	(57)
Net Profit After Tax	359	293	281	127	71
Basic Earning per Share (in Rupiah)	124	139	142	64	36
BALANCE SHEETS (in billion Rupiah)					
Total Assets	6,232	5,556	4,178	3,590	3,161
Total Liabilities	3,249	3,855	3,266	2,949	2,475
Stockholders' Equity	2,693	1,445	681	408	451
FINANCIAL RATIOS					
Return on Assets (%)	6	5	7	4	2
Return on Equity (%)	13	20	41	31	16
Debt to Assets	0.3	0.5	0.5	0.4	0.4
Debt to Equity (Gross)	0.6	1.9	3.2	3.7	2.6
Debt to Equity (Net)	0.5	1.7	2.9	2.8	2.1
Gross Profit Margin (%)	50	46	41	32	36
EBITDA Margin (%)	31	27	23	1	-
Operating Profit Margin (%)	27	22	18	(6)	(9)
Net Profit Margin (%)	18	18	19	15	11

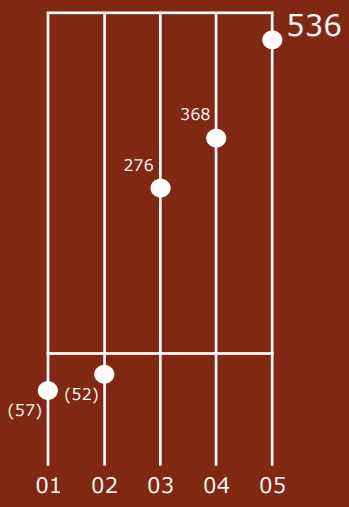
Notes

*) Has been restated to include the impact of the business merger according to the Statement of Financial Accounting Standard (SFAS) no. 22, no. 38 and no. 56.

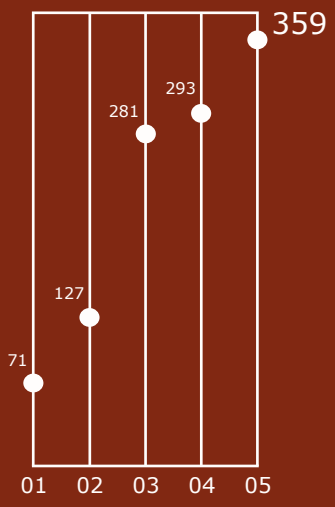
Revenue
in billion Rupiah



Operating Profit (Loss)
in billion Rupiah



Net Profit After Tax
in billion Rupiah



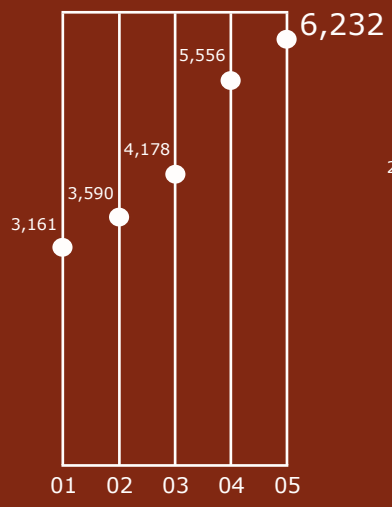
Subsequent Events

In 2006, the Company plans to restructure its assets by transferring certain assets to its subsidiaries and issuing notes through its subsidiary. This plan was announced to shareholders on December 30, 2005 and was approved by the shareholders in the Extraordinary Shareholders Meeting on January 30, 2006.

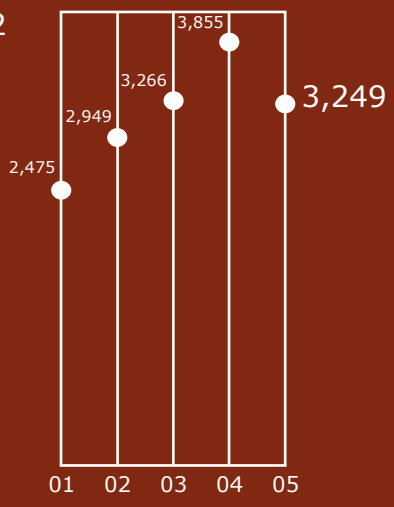
With regard to the restructuring plan, the Company will transfer land and buildings of its 3 (three) hospitals and 1 (one) hotel to its wholly owned subsidiaries. The Company will enter into long term lease and management agreements with these subsidiaries in connection with the transferred assets.

On March 9, 2006, Lippo Karawaci Finance B.V., a wholly owned subsidiary of PT Lippo Karawaci Tbk, has issued 8.875% Guaranteed Notes Due 2011 ("Notes") in the amount of USD 250,000,000, at 100% Issue Price. The Notes are unconditionally and irrevocably guaranteed by PT Lippo Karawaci Tbk and will mature on March 9, 2011.

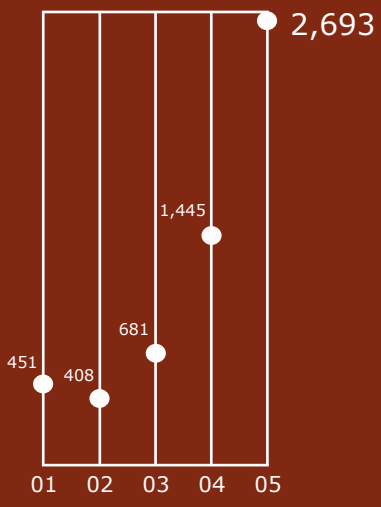
Assets
in billion Rupiah



Liabilities
in billion Rupiah



Stockholders' Equity
in billion Rupiah



SHAREHOLDER STRUCTURE, DIVIDEND AND SHARE PRICE MOVEMENT & TRADING

SHAREHOLDER STRUCTURE

(as of December 31, 2005)

Shareholders	Number of Shares	Percentage of Ownership
Lippo Group Companies	792,453.077	27.02
China Resources (Holdings) Co. Ltd	452,785.270	15.44
CP Inlandsimmobilien - Holding GmbH	227,658,750	7.76
Public	1,459,952,473	49.78
Total	2,932,849,570	100.00

DIVIDENDS

The Company plans to distribute cash dividends annually. Considering that the Company is also a holding company, the amount of cash dividend payments shall also be linked to the profits of the subsidiaries and/or to the dividend income received by the Company from its subsidiaries in the corresponding fiscal year other than the profits from its own business activities, taking into account the financial position or healthiness level of the Company and without prejudice to the rights of the Company's General Shareholders Meeting to decide otherwise in accordance with the Company's Articles of Association. The Company's dividend policy is set as follows:

Net Profit	Cash Dividends (as a percentage to Net Profit)
Up to Rp 300 billion	10% to 15%
More than Rp 300 billion	15% to 25%

Dividend History

Shareholders Record Date	Payment Date	Dividend/Share
24 August 2005	8 September 2005	Rp 10
22 January 1998	20 February 1998	Rp 10
16 December 1996	14 January 1997	Rp 40

SHARE PRICE MOVEMENT 2005

SUMMARY OF SHARE TRADING AT JAKARTA STOCK EXCHANGE

Month	Highest	Lowest	Closing	Stock Trading		JCI		Property Sector Index	
				Rp	Volume	Highest	Lowest	Highest	Lowest
Jan	1,680	1,390	1,510	40,885,795,000	26,874,000	1,049	995	75	68
Feb	1,530	1,490	1,510	21,880,235,000	14,488,500	1,110	1,034	76	73
Mar	1,550	1,490	1,500	41,349,150,000	27,100,500	1,157	1,057	99	76
Apr	1,520	1,470	1,480	31,464,425,000	21,020,500	1,121	1,011	88	73
May	1,490	1,450	1,470	27,806,635,000	18,924,500	1,089	1,021	81	76
Jun	1,500	1,450	1,470	27,377,530,000	18,500,000	1,149	1,079	81	77
Jul	1,650	1,450	1,630	168,956,365,000	107,334,500	1,188	1,102	80	76
Aug	1,660	1,600	1,620	110,149,165,000	67,542,500	1,196	951	79	58
Sep	1,640	1,600	1,630	26,772,270,000	16,501,500	1,107	1,008	66	60
Oct	1,670	1,620	1,650	43,269,755,000	26,315,000	1,110	1,053	63	60
Nov	1,690	1,630	1,680	38,022,045,000	22,806,500	1,097	1,012	61	57
Dec	1,770	1,670	1,750	250,072,855,000	144,400,000	1,186	1,087	65	60

Note :
Company's shares are recorded in Jakarta Stock Exchange and Surabaya Stock Exchange

Events Highlights

01

20

2nd Rights Issue completed, bringing in Rp 926 billion proceeds and adding total number of shares to 2.9 billion.

02

18

Launching of My Home @ RSV. A residential cluster in Serpong, Tangerang with simple and modern design, within the pleasant environment of Royal Serpong Village.

03

1&2

"LEAP FORWARD for Greater Success" Seminar with 300 participants from all business groups, facilitated by Mr. Budianto Andreas. Held at Imperial Aryaduta Hotel & Country Club, Lippo Karawaci.

04

12

Annual General Meeting of Shareholders appointing new Commissioners (Mr. Agum Gumelar and Mr. Charley Song).

05

23

Roadshows to 9 cities in Europe & USA to present updates of Lippo Karawaci performance to its international investors.

27

Soft Opening of Malang Town Square. Located in Jl. Veteran, the mall has total floor space of 47.500 m^2 to house 791 shops.

06

18

Hosted "Bird Flu" Seminars for Government officials and the business community to share knowledge on prevention and control of the disease.

16

Seminar on "Healthy Lifestyles for Diabetics at Siloam Hospitals Lippo Cikarang. Conducted as part of the Diabetes Seminar Road Show across Jakarta and Surabaya. The program aimed to guide diabetics to a healthy and active lifestyle.

25

Launching of Espana – Tanjung Bunga, a Spanish Mediterranean residence in Makassar. In this first phase, 250 units have been offered for sale.

09

Opening of Benton Junction, a unique 'al fresco dining' at Lippo Karawaci township, featuring romantic New England style architecture.

16

PET Seminar at Siloam Hospitals Lippo Karawaci. The Seminar was presented to medical professionals and the public, featuring International PET experts from Australia as guest speakers.

20

Opening of Depok Town Square, built on 2.4 ha land with total floor space of 160,000 m^2. Housing of 2,300 shops, the mall is located at Jl. Margonda Raya.

04

Euromoney Award. Lippo Karawaci was awarded the Best developer in Indonesia and the Top-10 in Asia Pacific. The Award was presented by Publisher & Managing Director of Euromoney Magazine, Mr. Neil Osborn.

30

The Shell Oil Company opened its first petrol station in Indonesia at Lippo Karawaci. The station houses 19 pumps for cars and trucks and 4 pumps for motorcycles.

18

Training on Multi Scan CT Technology. Guest lecturer Dr. Ingo Stamm, a prominent German radiologist provided the Company's medical staff and invited guest with latest updates on Multi Slice CT Scan Technology and its application.

24

Ground Breaking of City of Tomorrow, Surabaya's first Superblock. The Ground Breaking was performed by Mr. Imam Utomo, Governor of East Java and Mr. Surjadi Soedirdja, Vice President Commissioner of PT Lippo Karawaci Tbk.

25

Opening Semanggi Specialist Clinic. Located in the Central Business District of Jakarta, the Clinic offers extensive and integrated medical services, supported by renowned specialists and advanced, reliable medical equipment.

01

Soft Opening of Grand Palladium Medan, a shopping mall in downtown Medan, Indonesia's 3rd largest city, with 90,000 m^2 floor space and 1,400 outlets. The mall features modern-style retail architecture.

08

Socialization and Consultation Forum on the Development of Formal Residential Complexes, hosted by the Company and attended by 100 participants from central and regional government institutions, NGOs and universities throughout Indonesia.

29

Stage I Renovations at Siloam Hospital West Jakarta completed. Covering the lobby area, Pediatrics, Maternity and VIP wards, the renovation projects signify the Company's commitment to institute continuous improvements in service quality.

07 08 09 10 11 12

Tiga Pilar Bisnis

PT LIPPO KARAWACI Tbk

HOUSING & LAND DEVELOPMENT

Perumahan & Kawasan

- Lippo Karawaci City
- Lippo Cikarang City
- Tanjung Bunga City
- Royal Serpong Village

Komersial & Ritel

- WTC Matahari - Serpong
- Malang Town Square
- Metropolis Town Square
- Depok Town Square
- Mall GTC Makassar
- Grand Palladium - Medan

HEALTHCARE

- Siloam Hospitals – Jakarta Barat (d/h Graha Medika)
- Siloam Hospitals – Lippo Karawaci
- Siloam Hospitals – Lippo Cikarang
- Siloam Hospitals – Surabaya
- Semanggi Specialist Clinic – Siloam Gleneagles Hospital Group

INFRASTRUCTURE & HOSPITALITY

Infrastructure

Town Management Services

Sentra Office Realty

Dinamika Intertrans Transportation

Potable & Waste Water Management

Hotel & Resorts

Aryaduta Hotel Jakarta

Imperial Aryaduta Hotel & Country Club Lippo Karawaci

Aryaduta Hotel Pekanbaru

Imperial Aryaduta Hotel Makassar

Puncak Resor

Leisure

Imperial Club Golf

Permata Sports Club

Grand Bowling

Restaurants

Shima Japanese Restaurant

Shima-ya Japanese Family Restaurant

Taman Sari Food Center

Convention

Balai Serpong – Mall WTC Matahari

Letter from the President Commissioner
Ning Gaoning

"...Lippo Karawaci has been working diligently in the three business areas, to continue delivering attractive values and growth opportunities to shareholders and other stakeholders in the coming years."

◀ Central Business District at Lippo Karawaci Township

Dear Shareholders,

The Indonesian economy, along with its Southeast Asian peers, has shown resilient performance throughout 2005. The economy grew by 5.4%, slightly exceeding previous year's growth rate of 5.1%. This is in spite of tremendous challenges due to the persistently high level of oil price, which forced the Government to make substantial reduction in fuel subsidies, in the attempt to ease budgetary constraints. In turn, public consumption growth slowed from 4.5% in 2004 to 3.3% this year.

The Investment sector, on the other hand, is recognised as the new driving force behind this sturdy economy, posting a growth rate of 13.1%. The escalating investments largely reflected improving investors' confidence, following the smooth transition to a new Government and steady recovery in infrastructure expenditure.

Growing Performance

Taking advantage of the growing confidence, both in business and consumer sectors, PT Lippo Karawaci Tbk started the year with a commitment to deliver innovative and competitive products to our customers, as well as growth potential and to develop long term shareholder values. This is further translated into a business strategy that comprised the following 3 layers of strategy: i) growing recurring income contributions to strengthen the Company's competitive advantage in what is a cyclical property industry; ii) enhancing the Company's landbank value through creative product development; and iii) developing and launching new projects primarily outside of our landbank to obtain sustainable cash flow stream required to fuel further business expansion and to create greater values on top of our landbank's values.

The results were highly satisfying. We are delighted to report that your Company has been able to meet – and in certain areas exceed – the performance targets set out in the beginning of the year. Net Revenues grew by 20% to a commendable Rp 2 trillion, while Net Profit rose over 22% to Rp 359 billion. We recognize that sustaining good performance is harder than achieving it for the first time. In that perspective, the Company has been working diligently in the three business areas, to continue delivering attractive values and growth opportunities to shareholders and other stakeholders in the coming years. Amongst the projects currently in the pipeline are City of Tomorrow in Surabaya, Grand Paragon and Kemang Village in Jakarta and the planned openings of three new hotels in Jakarta, Medan and Surabaya. In Healthcare business, we are creating sustainable business growth by expanding our service network, improving our product offering to key markets and measuring ourselves against international standards. Presently, the Company is reviewing expansion strategy alternatives, including acquisition of existing and construction of new medical facilities in several major cities in Indonesia.

Growing Responsibilities

We recognize that with a bigger profile, comes greater responsibilities. Most importantly, Lippo Karawaci has been rigorously implementing Good Corporate Governance (GCG) standards, based on the principles of Fairness, Transparency, Accountability and Responsibility. The implementation started right from the top, as reflected in the Board's composition whereby majority of its members are independent and renowned for their integrity and expertise within the Indonesian business community.

I would like to take this opportunity, with my fellow members of the Board of Commissioners, to welcome Mr. Charley Song Lin and Mr. Agum Gumelar, who joined the Board during the year. We are confident that with their respectable expertise and in-depth industry experience, they will bring valuable insights and contributions to the Board.

Keen commitment to GCG was also evidenced by the Company's year-round efforts to ensure that all aspects of its operation were in compliance with prevailing laws and regulations. In addition, periodic reports and publications have been produced to ensure that shareholders, supervisory bodies and the general public are adequately appraised with information pertaining to the Company's performance, strategies and plans.

I am particularly pleased to report that Lippo Karawaci has been actively involved in a number of community-based programs aimed at nurturing harmonious relationships with various community groups. We believe that maintaining such harmony is the key ingredient to build prosperous partnerships with the communities surrounding the Company's operational areas.

Lastly, and most importantly, on behalf of the Board of Commissioners, I would like to commend the Board of Directors for what has been a dynamic and rewarding year. To our shareholders, we would like to extend our appreciation for your trust and confidence in us, in overseeing and advising the BOD of Lippo Karawaci. We are convinced that with your continuing support, we will be able to enhance our supervisory functions, in order to sustain the Company's position as the premier broad-based property development group in Indonesia and to realize the Company's aspiration of Impacting Lives.

Sincerely,

Ning Gaoning

President Commissioner

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2	4	6	8

1. Ning Gaoning • President Commissioner
2. Surjadi Soedirdja • Vice President Commissioner
3. Charley Song Lin • Commissioner
4. Theo L. Sambuaga • Independent Commissioner
5. Tanri Abeng • Independent Commissioner
6. Agum Gumelar • Independent Commissioner
7. Farid Harianto • Independent Commissioner
8. Eddy Sindoro • Commissioner

Message from the President Director
Viven G. Sitiabudi

"...the concerted efforts to build synergy from our three pillars – Housing and Land Development, Healthcare, and Infrastructure & Hospitality – have resulted in continuing growth in revenues and profitability."

Dear Shareholders,

Having successfully merged with seven other corporations operating in the full spectrum of property development industry, PT Lippo Karawaci Tbk ("Lippo Karawaci") rapidly organized itself and undertook impressive, wide-ranging projects. All are geared toward creating value not only for our shareholders, but for each stakeholder. This is further expressed in our sharpened statement of intent: "Impacting Lives".

Delivering Values through a Synergistic Business Portfolio

Managing a broadbased property development Company is a tremendous undertaking, challenged by the cyclical nature of the business and project management complexities. Lippo Karawaci is determined to take up the challenge by building synergy amongst its diversified business portfolio. The Housing and Land Development division carries the responsibility to enhance the Company's landbank values and generate adequate cash flow through the development and sales of residential and commercial properties. The Healthcare division, along with the Infrastructure and Hospitality division, provide growing contributions of recurring income stream, enabling the Company to maintain healthy and stable financial capacity throughout the property industry's business cycles.

At the center of our achievements was the successful completion of three shopping malls, namely Depok Town Square which is located in South Jakarta, Malang Town Square in East Java and Grand Palladium in Medan, North Sumatra. The opening of the new malls added over 85,000 sqm of retail space to Lippo Karawaci's existing commercial and retail properties. In total, the Company has developed over 200,000 sqm of commercial properties in four major cities across the country.

Innovation, understanding our customers' needs and ability to maintain on-time delivery remain as the key drivers behind the achievements in Housing and Land Development business. The Company is now widely recognized for the development of large shopping malls and office buildings that are an essential component in large residential developments. We are determined to continue fostering innovation and creativity, as they are instrumental in enabling the Company to offer premium products to discerning customers.

In line with our commitment to maintaining strategic balance between developments and recurring revenues, Lippo Karawaci is implementing aggressive growth strategy for its Healthcare unit, the Siloam Hospitals Group. The strategy is centered around expanding the Group's service network in the endeavor to serve more inpatient and

outpatient customers. Amongst the key initiatives accomplished during the year is the opening of Semanggi Specialist Clinic. This is to complement our growing performance in the hospital business that has been renowned for professional expertise and service excellence. Our Centers of Medical Excellence for Neuroscience and Heart at Siloam Hospitals Lippo Karawaci has been striving to be the best medical center.

Another pillar of our diversified portfolio is the Infrastructure and Hospitality business. The business comprises Aryaduta Hotel network, Township Management, Sports, Leisure and Restaurants. Our programs in this area were focused on the development of management skills and capabilities, with the objective of maintaining a consistently high quality of services across the entire business group.

Ultimately, the concerted efforts to build synergy from the three pillars – Housing and Land Development, Healthcare, and Infrastructure and Hospitality – have resulted in continuing growth in revenues and profitability. The Company posted 20% increase in Net Revenues to Rp 2 trillion, while Net Profit rose over 22% to Rp 359 billion. Revenue breakdown, on the other hand, remains relatively stable. Housing and Land Development division contributed a total of Rp 1,182 billion, or 59% of total revenues, while Healthcare division generated revenues of Rp 487 billion, or 24% of total revenues. Finally, the Infrastructure and Hospitality group made up for the remainder, with revenues of Rp 335 billion, or 17% of total revenues.

Gearing Up for Growth

Throughout the year, Lippo Karawaci has been implementing a series of initiatives aimed at building a stronger financial platform and operational capacity to support aggressive business growth for many years to come. In January, we successfully completed the 2nd rights issue, with total proceeds amounting to Rp 926 billion. Such proceeds have been strictly allocated to support development projects in Medan and Greater Jakarta areas, as well as to provide necessary working capital in project developments, including land acquisitions.

The success in exercising the 2nd rights issue has strengthened the Company's capital structure. Post rights issue, as debt levels remained stable, the Company benefited from a lower leverage ratio of 0.62, compared to 1.86 last year. Such a stronger balance sheet – characterized by healthy leverage ratio – has given the Company greater flexibility needed to respond to the increasingly challenging market and competition in the years ahead.

Besides financial strength, Lippo Karawaci maintains its firm commitment to adopting and implementing international standards in all aspects of its operations. To this end, I am delighted to report that our Siloam Hospitals Lippo Karawaci is presently in an advanced stage to obtain the Joint Commission International Accreditation (JCIA) certification. Upon completion, our Siloam Hospitals - Lippo Karawaci expects to be Indonesia's first hospital to earn this level of accreditation. The process requires strict adherence to international best-practices in all areas of healthcare services, including skills and knowledge of medical staff, medical treatments, procedures, administration processes and service infrastructure. We are planning for wider implementations across the group's hospital network, in our endeavor to be one of Asia's premier hospitals.

We at Lippo Karawaci believe that it is the investment in people that determines the Company's ability to maintain competitive positioning and to create values to all stakeholders. Most importantly, our agenda in this area is to instill corporate values and policies that will serve as guidelines for the HR management practices throughout the organization. Programs carried out in this regard include socialization of our corporate vision, mission and values and an HR Forum to align its policies and regulations throughout the Company's business groups.

Sustaining Growth through Citizenships and Good Corporate Governance

We recognize that earnest commitment to strengthening the business performance must be balanced with equally firm dedication on practicing the Good Corporate Governance (GCG) at the highest standard, as both factors are critical in building investors' confidence and creating value enhancement.

Throughout the year, Lippo Karawaci has been focusing the GCG programs on aligning key processes with GCG standards and enhancing transparencies and disclosures, all directed toward establishing GCG not only as set of rules, but as guiding principles for employees in carrying out their day-to-day duties.

Into the Future with Confidence

Lippo Karawaci is moving ahead with confidence. We are determined to continue providing our customers with products of unsurpassed quality, as well as offering attractive investment opportunities to our shareholders. In the fourth quarter of this year we successfully launched yet another signature project in Surabaya: City of Tomorrow. Developed in total land area of over 2.6 ha and with floor area of nearly 100,000 sqm, the complex is set to house a 5-star hotel, a convention and

exhibition center, office space, apartments and condominiums, shopping mall, and an entertainment center. Along with this project we are also working on many other commercial and residential projects in major cities throughout the country.

In the Healthcare business, the Company is implementing aggressive growth strategies through expansion of hospital and clinic network, continuous development of International Centers of Medical Excellence and development of innovative solutions to better serve our individual and corporate clients. This will be further underpinned by ongoing competence and service development programs through training and benchmarking activities, in collaboration with reputable, international medical institutions. While our Infrastructure and Hospitality unit, on the other hand, is confidently moving forward with the plan to open as many as three hotels in Jakarta, Surabaya and Medan.

In the end, allow me, on behalf of the Board of Directors, to extend highest appreciations to our shareholders, employees and all stakeholders for their support and contributions throughout the year. I believe that by continuing to nurture seamless cooperation and collaboration, together, we shall be able to create values and build sustainable growth for many years to come.

Sincerely,

Viven G. Sitiabudi
President Director

1	2	3	4

1. Tjokro Libianto • Director
2. Lucyanna Pandjaitan • Director
3. Jopy Rusli • Director
4. Hendra Agus Sugandi • Director

Housing & Land Development

"Relentlessly pursuing to provide innovative, value-enhancing and quality products for our customers."

Real estate remains to be an attractive and exciting business, offering almost unlimited opportunities for value creation and growth for many years to come. Along with the economic development, increasing numbers of families are expected to purchase their first and second homes. Furthermore, with the implementation of regional autonomy, cities and suburbs are rapidly developing, as office buildings, shopping malls and hypermarkets are built to fulfill the rising demand for closer, more convenient business and retail facilities.

Business Strategy

Supported by a large landbank – totaling 2,000 HA out of development rights of up to 6,500 HA – and experienced and professional staff, Lippo Karawaci is set to take on the challenge and turn the prevailing opportunities into best quality and value-enhancing products. In realization of this commitment, the Company has outlined strategic guidelines for its 2005 programs, described as follows:

- **Focusing on commercial and retail properties.** Taking advantage of the rising demand in this sector, Lippo Karawaci focused its 2005 programs on the development and completion of commercial and retail projects. With solid records for selling properties at premium prices, the Company is confident that this strategy will be instrumental in attaining 20% revenue growth.
- **Capitalizing on diversified portfolio.** Lippo Karawaci intends to maintain its competitive edge by ensuring synergy from its diversified businesses. This is implemented through the development of innovative products that offer attractive values and investment opportunities from many different sources, such as having a reputable department store as anchor-tenant, as well as hotels and apartments to generate customer traffic.
- **Developing the existing townships.** Currently, Lippo Karawaci develops 3 townships in Greater Jakarta and Makassar, covering over 5,500 ha of development rights, whereby only 45% of those areas has been developed. The Company is committed to developing the existing townships to obtain maximum values of its landbank in the townships.

Housing & Land Development Revenue Contribution
(in billion Rupiah)

- **Exploring potential locations beyond existing townships.** As the decentralization process is now well underway, regional economies have been rapidly growing, providing opportunity windows for the property industry. Lippo Karawaci intends to play a major role to develop these fast-growing areas by swiftly exploring locations beyond the existing townships. Learning from the success of our projects in Malang and Medan, the Company is undertaking development projects in Depok, Surabaya and other potential cities.
- **Targeting premium customers.** In line with the strategy to maintain its position as a market leader, Lippo Karawaci has been consistently striving to serve the middle- and upper-segment customers who are willing to pay a premium price for the premium products offered by the Company.

Commercial and Retail Projects

2005 Performance

Throughout 2005, Lippo Karawaci focused its project development activities on the Commercial and Retail sector. The Company has completed three projects with locations as far apart as Jakarta, Malang and Medan. Total retail space offered in these projects is in excess of 85,000 sqm, 80% of which, or a little over 70,000 sqm had been sold out by the end of the year. As a result, these successful project completions have generated revenues of Rp 964 billion, or 48% of the Company's total revenues.

2006 Development Plans

Looking into 2006 and beyond, Lippo Karawaci is stepping forward with confidence as it is planning to launch yet another large scale, innovative project, namely City of Tomorrow in Surabaya. With its 2.6 HA land and nearly 100,000 sqm floor plan, the complex will be home to a conference and exhibition center, a 5-star hotel, a shopping mall, a condominium and office buildings. Meanwhile in West Jakarta, the Company is set to commence construction on the Grand Paragon project in early 2006. This complex will be developed on 11 HA of land, with a total floor area of over 280,000 sqm.

Homes and Township Projects

2005 Performance

In accordance with the Company's shifting focus toward commercial development projects, Lippo Karawaci carried out selective expansion of its existing developments that included Lippo Karawaci, Lippo Cikarang and Tanjung Bunga (Makassar) townships. Total houses and shop-houses sold in 2005 were 346 units.

In these townships, the Company also actively engaged in marketing and sales of land for industrial and commercial projects and successfully sold 146,963 sqm of land. Along with the implementation of the Company's strategy that focused on the Commercial and Retail project developments, Lippo Karawaci's revenues from its Homes and Township division, decreased from Rp 518 billion last year to Rp 218 billion this year. From this figure, 61%, or Rp 132 billion, was generated from the sales of land for industrial and commercial use, while the remaining 39%, or Rp 86.5 billion, came from the sales of houses and shop-houses.

2006 Development Plans

Moving ahead, in order to fulfill growing demands for housing, Lippo Karawaci is planning to build more landed homes as well as apartments. As many as 2,000 houses will be built in the Company's existing townships over the next three years. Developments of these houses are carried out in stages, along with the broader township development plans, which include plans to develop office buildings and industrial facilities, as well as expand the existing supporting facilities such as schools, shopping malls, swimming pools and restaurants.

In the meantime, the Company is set to undertake further development projects such as apartment buildings in South Jakarta (Kemang) and Depok, a fast-growing suburb in the south border of Jakarta. In both locations, more than 800 apartment units will be built in the next couple of years, with an estimated total revenues of more than Rp 500 billion.

Bob Moran (Country Chairman and President Director Shell Companies in Indonesia)

"Shell is pleased that our first fuels retail outlet in Indonesia is located in Lippo Karawaci. We selected this location because we were encouraged by the careful manner in which this city has planned its layout and facilities. We believe that the inclusion of top quality fuels complements the quality service which Lippo Karawaci consistently maintains throughout the township. We look forward to a mutually beneficial relationship between Shell and Lippo Karawaci."

Healthcare

"We see more than a patient. We see a guest who deserves the highest standard of treatment – professionally, as well as personally."

REKAM MEDIS

The Indonesian economy continues its stable growth, prompting a considerable expansion of Indonesia's middle and upper class, leading to greater wealth creation. This in turn has led to a surging demand for international standard medical care with outstanding customer service, compassionate and empathetic treatment in major cities throughout Indonesia.

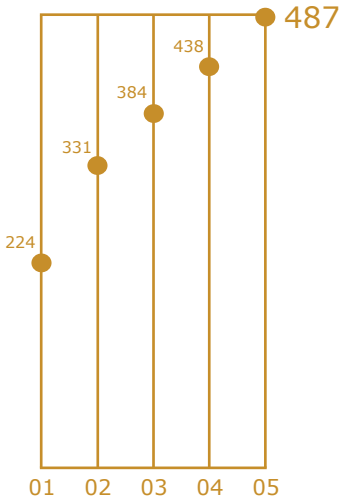
Business Strategy

Lippo Karawaci's Healthcare business, operating under the Siloam Hospitals brand, is well positioned to capitalize on this rapidly growing market. Siloam Hospitals comprises four international standard hospitals across wider Jakarta and Surabaya and draws the majority of its patients from the mid to upper economic groups. In order to realize its vision to be one of Asia's premier hospital providers, the Group's strategy is to deliver international quality standards and compassionate service targeting top tier Indonesian and foreign patients. This strategy comprises the following elements:

- **Adoption of international standards.** Siloam Hospitals has positioned itself as Indonesia's premier hospital provider. This has been achieved by serving patients and corporate clients within the top income groups, delivering international standard quality with advanced medical technology and facilities. We expect Siloam Hospitals Lippo Karawaci to be the first hospital in Indonesia to receive Joint Commission International Accreditation (JCIA) having already obtained ISO 9002 and Indonesian Hospital accreditations. The standards are implemented not only for the clinical measurements and medical services, but also for supporting services, including Administration, Pharmacy and Radiology departments.
- **Building global collaboration.** In order to provide excellent, integrated medical services to its patients, Siloam Hospitals is fostering solid collaboration with reputable medical experts from hospitals and medical centers in Asia, Australia and Europe. Through these links, customers are offered in-depth expertise on a wider range of medical practices and treatments, setting the Company apart from its competitors.

Healthcare Revenue Contribution

(in billion Rupiah)



- **Synergy of hospital and clinic networks.** The Company is committed to continuously expanding its service coverage. This will be achieved through building synergy between the hospital and remote medical facilities (RMF). This network of RMFs will be expanded to serve customers in key urban markets, as well as to drive inpatient referrals to the larger Siloam Hospitals that serve as referral centers and Centers of Excellence. This network expansion is symbiotic to the growth of Insurance market – whereby our corporate clients are seeking to serve their customers and achieve wider geographic coverage for Medicare services.
- **Centers of Excellence.** Siloam Hospitals is aggressively pursuing a strategy of developing International Centers of Excellence across each of its hospitals. Once again this strategy will maintain its competitive positioning and distinguish the Group through its excellence in medical care, cutting edge technology and superior patient experience. In these Centers of Excellence, the Company continually builds knowledge and expertise across a number of medical fields, by way of research, training and fostering international collaboration with leading medical experts across the globe.

2005 Performance

Siloam Hospitals ended the year posting 11% growth in gross operating revenues to Rp 487.4 billion. Primarily, the growth was driven by 5% increase in the number of outpatients and 3% hike in the number of inpatient admissions. The following table describes the Group's key performance indicators for 2004 and 2005.

	'05	'04	Growth
Outpatients served	**518,329**	492,606	5%
Inpatients admissions	**31,056**	30,078	3%
Revenues (billion Rp)	**487,449**	438,395	11%

Opening of Semanggi Specialist Clinic

In November, the Company opened its first, stand-alone outpatient facility, the Semanggi Specialist Clinic (SSC) in Semanggi area, Jakarta. The clinic is currently supported by over 25 medical experts, specializing in 15 different fields of medicine, including General Practice, Internal Medicine, Ear, Nose and Throat (ENT), Cardiology and Dentistry. In addition to medical practices, the Clinic provides in-house Laboratory, Pharmacy and Radiology facilities.

Professional Developments

In line with our commitment to be the leading private hospital provider with international standards, Siloam Hospitals continued its intensive, competency-based professional development programs throughout 2005. The programs were focused to further develop expertise and competence in the areas of medical, nursing and customer service staff, as well as hospital administration. Collaborations with leading Australian and European medical experts has been a meaningful reflection of our commitment to training and development, which further extended our market lead.

Installation of New Medical Equipment

Throughout 2005, the Company also implemented a series of facility upgrading projects. Among the key accomplishments in 2005 was the installation of an advanced, Multi Slice CT Scan (MSCT) unit in Siloam Hospitals Lippo Karawaci. The MSCT unit will be critically important to support the hospital's Centers of Excellence in Neuroscience and Cardiology.

The Company also installed new equipment at Siloam Hospitals Lippo Cikarang, including an Echocardiography Unit for the Gynaecology Department, 4D USG Unit for the Obstetrics and Gynaecology Department, EEG for the Neurology Department and Soundproof Chamber for the ENT Department.

2006 Development Plans

To further leverage medical professional competencies and its international standards, Siloam Hospitals is confidently moving forward with plans and initiatives, geared to enhance the quality of services rendered to the customers. The initiatives are as follows:

- **Obtaining international accreditation.** As a reflection of Siloam Hospitals' commitment to continuously improve its service quality, the Company is in the final stages of obtaining JCIA accreditation in 2006 for its Siloam Hospitals Lippo Karawaci. Preparation commenced in late 2005 and the Company is well advanced in the process, with the first round survey scheduled for the first quarter of 2006. At the same time, Siloam Hospitals sent key medical staff to Australia to receive specialist training for our Intensive Care Unit (ICU) and Accidents and Emergency Unit. These training and accreditation programs are ongoing and will be expanded to other specialists, to further extend our international quality leadership position.
- **Neonatal science.** The Company is set to establish a new, Neonatal Center and specialist equipment at Siloam Hospitals Surabaya. The new center will further extend the service and expertise of the Fertility Center that has been recognized by the Department of Health as Indonesia's Center of Excellence.
- **Network expansion.** In order to improve its service coverage, Siloam Hospitals is planning to open several separate medical facilities at strategic sites across Jakarta. These sites will provide wide-ranging medical practices to the local communities and provide greater coverage for our corporate insurance clients for Medicare and executive check up services.
- **Competency development.** To ensure that medical and nursing staff are constantly appraised with the latest knowledge in health and medicine, the Company is planning to conduct a series of training and development programs. The list of resource personnel for these programs includes Indonesian and international experts with outstanding reputations in their respective fields.

Mario (Patient of Siloam Hospitals Lippo Karawaci)

"I was delighted to experience Siloam Hospitals' international quality of services and medical treatment – the equal or superior to those hospitals overseas. They even remembered my birthday!"

Infrastructure & Hospitality

"Our business revolves around our guests. We strive to meet - and exceed - their expectations."

IMPERIAL ARYADUTA
HOTEL & COUNTRY CLUB
IMPERIAL
ARYADUTA

The Hospitality industry was quite successful in maintaining a stable performance amidst the challenging 2005 economy, thanks to an unwavering demand from domestic consumers. Throughout the year, Indonesians remained actively engaged with their meetings, conferences and journeys for business and personal purposes, providing considerable support to the industry as it experienced a reduced number of foreign guests.

Business Strategy

Lippo Karawaci, through its Aryaduta Hotels brand, responded to these challenges by focusing to provide its best service to the domestic market. Its business strategy is outlined as follows.

- **Focusing to capture opportunities in the MICE industry.** Aryaduta Hotels is maintaining its focus to capture opportunities in the MICE (Meetings, Incentives, Conventions and Exhibitions) market, as it has shown resilient performance during the period of volatile economy. Growth in MICE business is expected to drive revenues from other areas, including rooms and function halls occupation, as well as food and beverage consumption.
- **Pursuing growth through hotel management services.** Taking advantage of its renowned standing for service excellence, Aryaduta Hotels is also pursuing business growth through the provision of Hotel Management Services to owners of hotels in major cities throughout the country. This area of business is expected to experience accelerated growth within the next several years.
- **Refurbishments of hotel facilities.** Beside quality of services, another key competitive factor in hospitality industry is attractive and updated hotel facilities, such as interior design and electronic and communication accessibility. Aryaduta Hotels is determined to continuously improve the facilities of its hotel chain. The objective is to provide its guests with a distinctive and satisfying experience during their visit to our hotels.

Infrastructure & Hospitality Revenue Contribution

(in billion Rupiah)

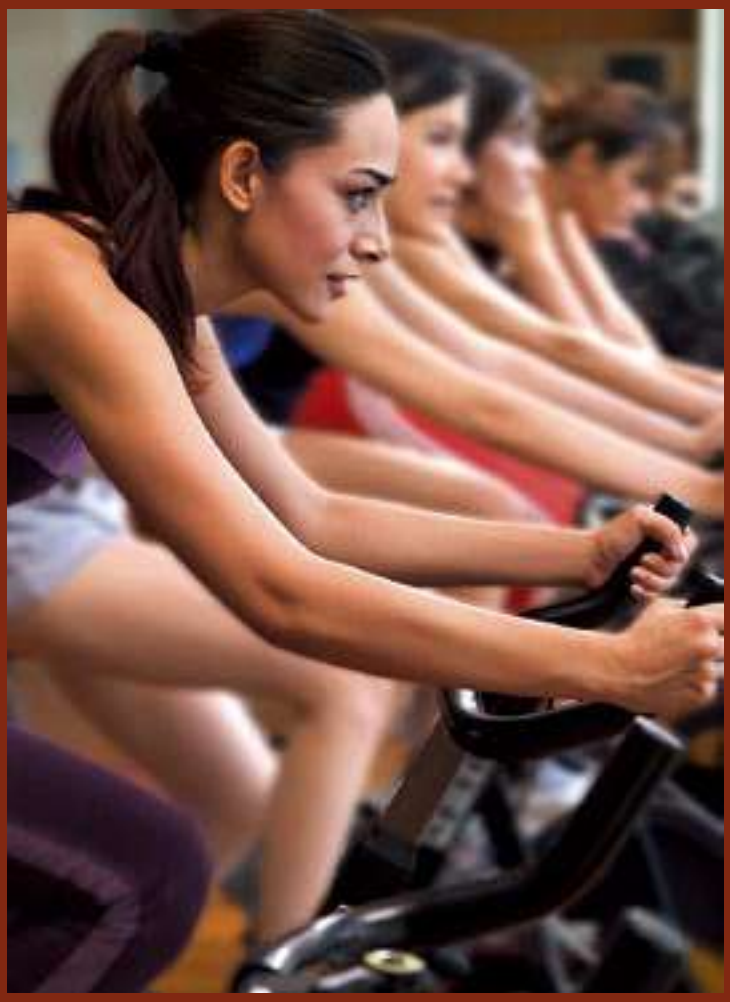
- **Competency development.** At the forefront of the Company's commitment to service excellence is sympathetic and professional management and staff working in all areas of operation. This is achieved through competency development programs for employees at all levels throughout the organization. The objective is to achieve best-in-class and standardized service quality across all members of the hotel network.
- **Management improvements.** Aryaduta Hotels believes that an effective and efficient management system is instrumental to ensure success in the hospitality business. Consequently, continuous improvements in this area are critical to remain competitive. This is achieved through various initiatives, including implementation of advanced, integrated hotel management software and training programs covering various aspects of business processes and procedures.

Aryaduta Hotels

Performance and Outlook

The renovation projects – implemented throughout the hotel chain during the year – has started to deliver encouraging results. An increasing number of guests are welcomed to our hotels, despite the higher rates charged for the renovated rooms and facilities. Such growing number of customers is also attributed to more MICE events hosted by the hotel. By year end, Aryaduta Hotels recorded increases in average room rates and room yields. In turn, revenues grew from Rp 127 billion last year to Rp 157 billion in 2005.

During the year, Aryaduta Hotels has been working on various refurbishment projects in all of its hotels. The refurbishments include interior renovations of, among others, hotel rooms and conference rooms, as well as facility enhancements such as internet accessibility and in-room TV programs.



Furthermore, in accordance with the Company's expansion strategy, Aryaduta Hotels continued to explore opportunities in Hotel Management Services. By the end of the year, the Company managed two properties located in Puncak and Carita Beach. Revenue contributions from this business segment grew to Rp 157 million in 2005.

2006 Development Plans

In order to generate attractive investment returns and sustainable growth, Aryaduta Hotels is set to open three new 5-star hotels in Jakarta, Surabaya and Medan, in addition to the existing portfolio of four hotels in Jakarta, Karawaci, Pekanbaru and Makassar. When the new hotels are fully operational, total hotel rooms under management will rise significantly to over 1,200 rooms, compared to the 2005 figure of 850 rooms.

Along with the network expansion initiatives, the Company also continues with its renovation and management improvement projects. The renovation projects aim to rejuvenate various facilities within the existing hotel chain and to strengthen the Company's positioning as a preferred local franchise for MICE activities. Meanwhile, the management improvement projects involve the implementation of an advanced, computerized hotel administration system, to enhance operational efficiency and effectiveness.

Restaurants, Sports and Leisure

Activities in this area of business focused on improving service quality to enhance the Company's competitive positioning. In the Imperial Klub Golf (IKG), the Company is expanding its operations to provide services for business meetings and conferences. Meanwhile in Shima Restaurant, a new Japanese Master Chef has been hired to revive the restaurant's menu selections and enhance its reputation as one of the best Japanese restaurants in Jakarta.

Facility improvements were also implemented over other parts of the Company's business, including Grand Bowling Karawaci, and Taman Sari Food Center. The objective is to enhance their competitive positioning in their respective markets.

Through these improvement efforts, the Restaurant, Sports and Leisure Group has been able to post 6% growth in revenues to Rp 52 billion.

Moving into 2006, the Company's portfolio in Leisure business will be significantly enriched, as it is planning to introduce a new line of business: The Aryaduta Spa. With its first facilities scheduled for launching in accordance with the opening of Aryaduta Hotel in Medan, the Aryaduta Spa offers a unique and attractive feature to the hotel franchise. Following the launching of its first spa, the Company is scheduled to open spa facilities in its remaining hotels.

Township Management

The Township Management unit is responsible for the day-to-day management of large residential developments that include Lippo Karawaci, Lippo Cikarang and Tanjung Bunga, Makassar. Through an integrated township management services – recognized as the first of its kind in Indonesia – the Company administers the provision of clean water supply, security and sanitation services to the township residents.

Throughout the year, the number of residents in these developments has grown from 74,210 people in 2004 to 76,610 people in 2005. In turn, the Company posted a 23% increase from last year's figure of Rp 80 billion to this year's Rp 98 billion. This is primarily attributable to the increase in maintenance fee.

Activities in this business segment during the year were focused on service enhancements and competency development. Service enhancement programs that have been completed during the year include: new water metres for increased efficiencies; rebranding our public transport system to give better, friendlier service. In the competency development, the management has conducted training programs for security and traffic officers, services and utilities field workers.

Below describes the improvement programs conducted in Lippo Karawaci Township throughout 2005:

- Building Control upgrade.
- Rates Assessment upgrade.
- Replacing water metres.
- Rebranding public transport system.
- Effecting traffic calming concepts.
- Planting additional 2005 trees.
- Establishing 4 new playgrounds.
- Seminar on Bird Flu.
- Polio immunization for children at risk.
- Approved 127 house designs and 1,305 alterations.
- Upgraded "Help Desk" – 24/ 7 service to customers.

Going forward, the Company intends to sustain its ongoing efforts to improve the quality of services delivered to its customers. Work Programs that have been put in place for year 2006 include security establishment training, implementing residents' benefit program through smart cards and upgrading Geographical Information System (GIS)/ as-built documentation and archives.

Catherine (Golf Member of Imperial Klub Golf Lippo Karawaci)

"At Imperial Klub Golf, I always feel at home. From the porter who knows my name to the experienced caddy who knows my preferences, everybody treats me as if I am their most important guest."

Corporate Governance

"We are keenly committed to implementing rigorous Good Corporate Governance standards throughout all aspects of our operation."

Good corporate governance (GCG) practice is increasingly becoming a strategic factor to win the confidence of its customers, business partners, shareholders and the public. Corporations are required not only to deliver attractive financial values and growth opportunities, but increasingly, to demonstrate keen commitment to upholding GCG practices in all aspects of its operations.

At Lippo Karawaci, GCG is implemented based on the principles endorsed by the Indonesian Institute for Corporate Governance (IICG). The principles are: Transparency, Accountability, Responsibility and Fairness. To translate these principles into meaningful and concerted actions, GCG programs are designed and implemented, under the directions of the Company's Governing Structure that consists of the Board of Commissioners and Board of Directors.
The following report outlines the Company's GCG Principles, The Governing Boards, The Implementation activities during the year, and The Business Risks associated with the Company's operations.

The Principles

The implementation of GCG within the Company is guided by 4 basic principles that provide the directions on every decision made by the management and employees. The principles are described as follows:
Transparency. A commitment to ensure availability and accessibility of accurate, clear and timely information on the Company's financial, operation and ownership status to its stakeholders.
Accountability. A principle that ensures the existence of accountability mechanisms for all decisions and policies made by the management.

Responsibility. A recognition of the importance of clear and comprehensive descriptions of the roles of all related parties in achieving the Company's common goal, including assurance of compliance on existing laws, regulations and social values.

Fairness. A commitment to ensure that every single decision and policy formulated is for the best interest of all stakeholders, including customers, shareholders, investors, suppliers and the general public.

The Governing Boards

In conducting its business, Lippo Karawaci is governed by a managing structure that consists of a Board of Commissioners (BOC) and a Board of Directors (BOD). In carrying out their responsibilities, members of BOD and BOC must act in good faith, based on accurate information, with due diligence and care, and in accordance with the best interests of the Company and its shareholders. Strict adherence to these principles is critical in winning trust and confidence among the shareholders and each stakeholder.

Board of Commissioners (BOC)

In accordance with the Corporation Law No. 1/1995, the BOC is responsible to exercise a supervisory function over the Board of Directors. BOC candidates are nominated by the controlling shareholders and appointed through the Annual General Shareholders Meeting (AGSM). Currently, the BOC consists of 8 (eight) members, comprising prominent individuals who have extensive experience and in-depth expertise in managing national and multinational organizations.

Pursuant to the Jakarta Stock Exchange regulation requiring a minimum of 30% of BOC members to be independent members, the Company has appointed 4 (four) Independent Commissioners. The Independent Commissioners represent the interests of minority shareholders, while Non-Independent Commissioners represent the majority shareholders and protect the long term interests of the Company by considering the concerns of all stakeholders.

Board of Directors (BOD)

The BOD is responsible for executing the policies and directions formulated by the BOC and managing day-to-day operations of the Company. In a similar fashion to that of the BOC election, BOD candidates are nominated by the controlling shareholders and appointed through the Annual General Shareholders Meeting (AGSM). At present, there are 5 (five) members of BOD.

Audit Committee

In carrying out their mandates to oversee the implementation of Responsibility and Accountability principles, the BOC is assisted by the Audit Committee. The Audit Committee is established by and responsible to the BOC. Based on the Audit Committee Charter, the Audit Committee is assigned with the following responsibilities:

- Promoting corporate discipline and establishing a corporate control mechanism to prevent fraud and abuse.
- Improving the quality of financial disclosure and reporting.

- Reviewing the scope, accuracy and cost effectiveness of the external audit processes, as well as the independence and objectivity of the external auditors

In compliance with Bapepam Regulation No. IX.I.5 on the Formation and Guidance of the Audit Committee and JSX Regulation No. I-A, dated July 19, 2004, Lippo Karawaci has formed an Audit Committee that consists of 3 members including Chairman of the committee. Mr. Theo L. Sambuaga, who is also an independent member of the BOC, is currently serving as the Chairman of the Audit Committee. Since August 19, 2004, the Audit Committee members are as listed below:

Name	Position
Theo L. Sambuaga	Chairman
Lie Kwang Tak	Member
Nelson Tobing	Member

The Audit Committee's activities for the year 2005 are described on the Audit Committee Activity Report section of this Annual Report.

Internal Audit

The Internal Audit Unit assists the Board of Directors in performing internal control to ensure that all activities comply with the Company's regulations. The Internal Audit also assists the Audit Committee by reporting the implementation of the internal audit activities and the planned corrective actions, as well as by becoming the partner of the Independent Auditor during the auditing process. Periodically, the Internal Audit performs its duties in the Company's functional departments and project offices, and reports the findings to the BOD. Besides submitting the reports to the BOD, the Internal Audit also submits all of its reports, including the improvement suggestions, to the Audit Committee.

Independent Auditor

Every year, the Company appoints an Independent Auditor to perform external auditing of the Company's Financial Statements. The appointment of Independent Auditor is conducted through the Annual General Shareholders Meeting (AGSM), based on the recommendation from the Audit Committee and the BOC.

In 2005, the Board of Directors, pursuant to the authority granted by the Shareholders in the Annual General Shareholders Meeting, has appointed Aryanto Amir Jusuf & Mawar as the Independent Auditor.

Aryanto Amir Yusuf & Mawar has fulfilled Bapepam Regulation No. VIII.A.2 on the Independent Accountants Authorized to Perform Audit Service in the Capital Market.

The Implementation

General Shareholders Meeting

Throughout 2005, Lippo Karawaci has conducted 1 session of the Annual General Shareholders Meeting (AGSM) and 1 session of the Extraordinary General Shareholders Meeting (EGSM) on April 12.

Periodical Meetings of BOC and BOD

In 2005, there has been 5 sessions of Joint BOC and BOD meetings to discuss a variety of issues, including review of business strategy and its implementation, as well as business and operational performance. In addition to that, the BOD holds weekly meetings to discuss operational subjects and quarterly meetings to evaluate overall progress, achievements and obstacles during the year.

Corporate Secretary

As part of its commitment towards transparency and disclosures, Lippo Karawaci has appointed Ms. Jenny Kuistono as Corporate Secretary, with the following responsibilities:

- Advising the BOD pertaining to the developments of laws and regulations, particularly in the areas of Corporations and the Capital Market.
- Providing reports to and maintaining communication with the regulatory agencies, including BAPEPAM and the Jakarta Stock Exchange.
- Maintaining corporate documents, including the Register of Shareholders Special Register of the Company, and the Minutes of the AGSM and EGSM.
- Maintaining communication with shareholders and investors, through various channels, including AGSM, EGSM, analyst forum and corporate website.
- Managing internal communication activities within the organization.
- Maintaining communication with the stakeholders, including government institutions and the general public, through periodical meetings, website and media publication.

Business Risks

As a Company that manages integrated property development projects, Lippo Karawaci acknowledges the existence of business risks associated with a variety of aspects, including economic conditions, political developments, as well as the prevailing competitive situation. To manage these risks, the Company is constantly monitoring the developments of the external and internal environment that might lead to the presence of risk factors. The following are major risk factors that are being continuously observed by the Company.

Economic Risks. In general, the property industry is exposed to risks associated with fluctuations in the national and international economy. Changes in inflation, interest and exchange rates may directly and/or indirectly affect the Company's operational activities.

Operation Risks. Business operations in the Property, Healthcare and Hospitality industries involve complex orchestration of resources and systems – including personnel, procedure and technology – to produce value–added products and services. It is important to consistently act in accordance with the predetermined processes and procedures which could otherwise cause obstacles to the Company's operations.

Political Risks. As the Company operates in a number of industries, including Property Development, Healthcare and Hospitality, it may be exposed to risks associated with changes in the political arena. A new regulation for example, could, for a limited time, adversely affect the Company's operations.

Competitive Risks. The Company operates its business in a competitive environment. From time to time, the Company reviews the effectiveness of its competitive strategy based on the prevailing market and competitive trends. Such reviews may lead to the Company's decision to take certain steps that may temporarily have some adverse impact on its operational and financial performance.

Human Resources

"Encouraging best performances out of our experienced and professional human resources."

Following the merger initiatives, activities in Human Resources (HR) Management and Development focused on the alignment of HR strategies with improvement of various existing policies, directed toward fostering a productive working climate. HR strategic alignments are implemented through a series of training and communication programs participated by HR managers and staffs from all of the Company's business units. Policy improvements in 2005 have focused on the enhancement of employment benefits. The following are highlights of HR activities carried out in 2005.

Strategy Alignment through Training and Development Programs

Throughout the year, Lippo Karawaci conducted a series of training and development programs, with the objectives of establishing a common perspective, notably with regard to the Company's vision, strategy and values, and enhancing leadership and managerial skills. Executive workshops on "Sustainable Marketing Enterprise," for instance, have been conducted for middle and senior managers to provide the latest development and insight into market requirements, the competitive environment and business strategies. Highlights of the training programs are presented on the next page.

Improvements in HR Policies

In the effort to continuously enhance the quality of HR management, Lippo Karawaci implemented a number of improvement programs, particularly in the area of compensation and benefit policies. In April 2005, the Company established pension fund accounts. The introduction of pension fund allowed the employees to focus on their career and professional development, as their income sustainability throughout the retirement period has been assured. In addition, the Company has provided life insurance for the employees. The insurance covers incidents not only during office hours, but also the entire period beyond office hours.

Employment Profile

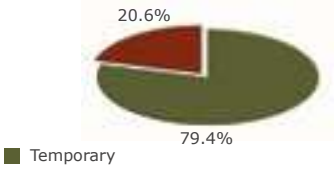
Along with the growing scale of its businesses, Lippo Karawaci continued to offer more employment opportunities. By the end of the year, the Company recorded a total of 4,763 people on its payroll, comprising permanent and temporary employees. The employment figure represents a 14.63% growth from 2004 number of 4,155 employees. The charts on the subsequent page describe the Company's employment profile for 2005.

HIGHLIGHTS OF 2005 TRAINING PROGRAMS

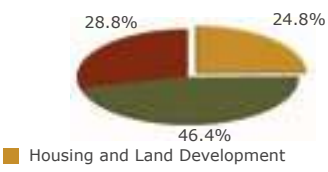
Title	Areas	Number of Participants	Level
1. Sustainable Marketing	Business and Competitive Strategy	300	Middle and Senior Managers
2. Leap Forward	Leadership and Motivation skills	300	Middle and Senior Managers
3. Customer Service Exellence	Service Quality	240	Front liners
4. Situational Leadership	Leadership and motivational skills	120	Middle and Senior Managers

EMPLOYMENT PROFILE

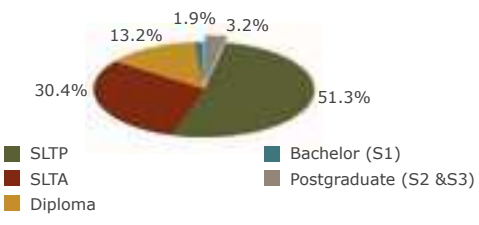
By Employment Type



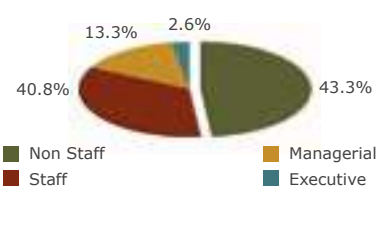
By Division



By Education



By Management Level



Audit Committee Report

Lippo Karawaci, 15 February 2006

To:
The Board of Commissioners
PT Lippo Karawaci Tbk
2121 Boulevard Gajah Mada #01-01
Lippo Cyber Park
Lippo Karawaci Utara
Tangerang 15811

Dear Commissioners,
RE: Audit Committee Report

Pursuant to the requirements stipulated in the Chairman's Decree of the Capital Market Supervisory Board No. KEP-29/PM/2004 regarding the Establishment and Operational Guidance of the Audit Committee and Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-305/BEJ/07/2004 dated July 19 2004 pertaining to the General Guidance on Listing of Equities and Securities in Stock Exchange, we as the Audit Committee of the Company hereby render results from the discussions in the meetings of the Audit Committee held until February 2006.

In conducting this audit, the Committee studied financial statements, observed procedures, accounting policies and internal control within the operational activities, and held intensive discussions with the management and Public Accountant.

To fulfill the disclosure obligation on report of the Audit Committee on the Company's Annual Report, we hereby state as follows:

1. To the best of our knowledge, the business activities of the Company are conducted with sufficient internal control, but regarding the merger conducted by the Company in July 2004 which has resulted in the Company's expanded span of control in diversified business unit, the Board of Directors must continually increase the quality of internal control in accordance with the Company's business advancement, to ensure compliance with prevailing laws and regulations and to follow Good Corporate Governance practice.
2. Financial Statements were prepared in accordance with the generally accepted accounting principles in Indonesia.
3. The Board of Commissioners has appointed Public Accountant of Aryanto Amir Jusuf & Mawar to conduct an audit on the consolidated Financial Statements of PT Lippo Karawaci Tbk and its subsidiaries for the year ended on December 31, 2005, pursuant to the authority granted by the Shareholders in the Annual General Meeting of Shareholders held on April 12, 2005.

The Audit Committee duly submits this report.

Yours sincerely,

Theo L. Sambuaga	Lie Kwang Tak	Nelson Tobing
Chairman	Member	Member

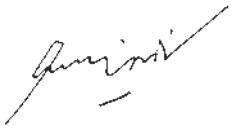
Responsibility for the 2005 Annual Report

This 2005 Annual Report, including the accompanying financial statements and related financial information, is the responsibility of the Management of PT Lippo Karawaci, Tbk and has been duly approved by members of the Board of Commissioners and Board of Directors.

Lippo Karawaci, March 2006

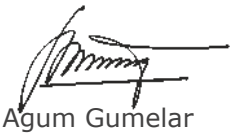
Board of Commissioners

Ning Gaoning
President Commissioner

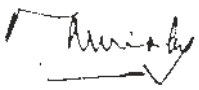


Surjadi Soedirdja
Vice President Commissioner

Theo L. Sambuaga
Independent Commissioner

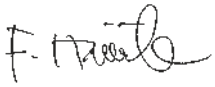


Agum Gumelar
Independent Commissioner



Tanri Abeng
Independent Commissioner

Charley Song Lin
Commissioner



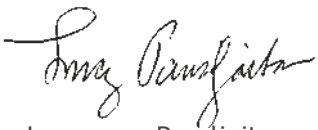
Farid Harianto
Independent Commissioner

Eddy Sindoro
Commissioner

Board of Directors

Viven G. Sitiabudi
President Director

Tjokro Libianto
Director



Lucyanna Pandjaitan
Director

Jopy Rusli
Director

Hendra Agus Sugandi
Director

Corporate Social Responsibility

"Building mutually beneficial partnerships with the communities."

Along with its commitment to Impacting Lives, Lippo Karawaci continually develops harmonious and mutual relationships with the communities surrounding its operations. Throughout the year, many programs and activities have been implemented, mainly in the sectors of public health, knowledge sharing and renovations of religious facilities. The following are highlights of the programs implemented in 2005.

Public Health

Lippo Karawaci, mainly through its Siloam Hospitals, has been actively participating in efforts to improve the quality of public health, notably in the communities surrounding the Company's facilities. At Siloam Hospitals Lippo Karawaci, the Company has performed charity brain and heart surgery for 10 needy children. At the same time, since its opening in August 2004, the Charity Ward at Karawaci Hospital has provided thousands of Indonesians with access to affordable medical services. In 2005 alone, the Charity Ward served 1,049 patients.

During the dengue outbreak in early 2005, the Company's Aryaduta Hotel Network provided fogging services to the neighboring residential and public areas. In addition, the Company conducted 5 blood donor drives during the year, resulting in more than 1,700 blood pouches.

Knowledge Sharing

In December 2005, Lippo Karawaci hosted a delegation of 100 participants who attended a socialization and public consultation program organized by the State Ministry of Public Housing. In line with the program's theme of "Reliable, Safe, Healthy and Convenient Township Management", Lippo Karawaci Township Management Division shared its experience and knowledge with the participants, who came from many different backgrounds and professions, including provincial planning and development officials, heads of provincial office for public housing, public housing NGO's and representatives from the State Ministry of Public Housing.

Improvements of Public Schools and Religious Facilities

In 2005, the Company, along with the residents of the Lippo Karawaci, Lippo Cikarang and Tanjung Bunga participated in a number of renovation projects for public schools, mosques and churches. This is in line with the Company's firm commitment to foster harmonious relationships with the communities surrounding our areas of operation.

Going Forward

"Confidently moving ahead, to create sustainable business growth."

Taking advantage of its performance and achievements during 2005, as well as wisely learning from its past experience, Lippo Karawaci is confidently moving ahead with strategic initiatives directed to maintaining sustainable business growth, in line with the Company's dedication to Impacting Lives. Through the initiatives outlined below, Lippo Karawaci is determined to take on the growing challenges arising from the competitive, as well as external environment.

- **Building synergy through integrated property development project.** Lippo Karawaci continues to build synergy by integrating its diversified businesses into large property complexes, enabling the Company to offer innovative and value-enhancing products to its esteemed customers. City of Tomorrow project in Surabaya, as well as Kemang Village and Grand Paragon projects in Jakarta perfectly illustrate this synergy, as those projects are designed to house shopping malls, hotels, apartments and office buildings in one city-block location. Scheduled for operation in early 2007, these property complexes are well positioned to fulfill the growing demand for properties as the economy is projected to pick up speed.

- **Strengthening the recurring income for sustainable growth.** To balance the Company's cyclical income from its commercial, retail and residential projects, Lippo Karawaci is relentlessly working to enhance its capacity to generate recurring income, primarily from the Hospitality and Healthcare businesses.
  - In the Healthcare business, the Company, through its Siloam Healthcare Group, is implementing aggressive growth strategies to drive up outpatient and inpatient revenues through expansion of our hospital network and by establishing new patient referral channels via representative offices and agents in national market areas. Secondly, the Group is considering expansion via the acquisition of existing or construction of additional medical facilities in key target market areas. Thirdly, Siloam Healthcare Group is developing new products that will more completely satisfy the needs of our individual and corporate clients.
  - In the Hospitality business, the Company, through the Aryaduta Hotels Group, is planning to open three new hotels within its network in Jakarta, Surabaya and Medan, along with the development of new commercial and retail projects. This will be further supported by a serious drive to build up the MICE business through service and operational excellence.

Artist's Impression of City of Tomorrow, Surabaya.

- **Persistent drive for operational efficiency.** Being an integrated property development company, Lippo Karawaci recognizes that the ability to exercise discipline and effective cost management is paramount in order to maintain its competitive edge. For this purpose, Lippo Karawaci is continually on the lookout for opportunities to improve cost effectiveness in all aspects of its operations and throughout its entire lines of business. With enhanced operational effectiveness and efficiency, the Company expects to be in a better position to take on the challenges arising from growing competition and any change in the economic environment.

- **Enhancing innovations and quality.** Another key success factor in earning the customers' trust and confidence is the ability to continually offer innovative and top quality products. Lippo Karawaci is determined to continue delivering innovative and value-enhanced products by being close to its customers, so that it will be able to understand – and fulfill – their current requirements.

Management Discussion & Analysis

REVIEW OF LIPPO KARAWACI'S 2005 FINANCIAL RESULTS

At the time of merger at the end of July 2004, PT Lippo Karawaci set several financial goals and also identified certain key strategies that would enable the Company to meet its targets. The Company is pleased to report that it has made significant progress in executing these strategies in 2005 which had strengthened its financial position and intensified its focus on core competencies.

REVENUES

Despite the economic and property market slowdown during 2005, Company revenue for the year recorded Rp 2,005 billion, an increase of 20% over 2004 revenue of Rp 1,673 billion. Approximately 59% or Rp 1,182 billion, was contributed by the Housing and Land Development division. Other contributors were the Healthcare division (24%), and the Infrastructure & Hospitality division (17%). All divisions showed improvement over their 2004 results.

	Revenue (billion Rp)		Revenue (billion Rp)	
	`05	%	`04	%
Housing & Land Development	**1,182.1**	59	954.0	57
Healthcare	**487.4**	24	438.4	26
Infrastructure & Hospitally	**335.4**	17	280.3	17
Total	**2,004.9**	100	1,672.7	100

1. Housing & Land Development

In the Housing & Land Development business, the Company organizes itself into two sectors: Commercial and Retail plus Homes and Townships. The Homes and Townships sector is further classified into Land for Industrial and Commercial segment and Housing and Shophouses segment. Total sales from Housing & Land Development for the year 2005 was Rp 1,182 billion comprising 82% sales from Commercial and Retail Projects (shopping malls) of Rp 963.7 billion and 18% from Homes and Townships of Rp 218.4 billion. From the total Homes and Townships revenues, sales of land for industrial & commercial contributed 60.4%, or Rp 131.9 billion, whilst the remaining 39.6%, or Rp 86.5 billion of revenues, came from the sales of Housing and Shophouses.

a. Shopping malls

The Rp 963.7 billion revenue reflected a Rp 529.5 billion increase over last year's revenue of Rp 434.2 billion. This was mainly due to a 100% sales recognition of 3 shopping malls: Malang Town Square, Grand Palladium-Medan and Depok Town Square in line with their 100% construction progress by the end of this year.

	Revenue Recog. (billion Rp)		Building Area (sqm)		Units	
	`05	`04	**`05**	`04	**`05**	`04
Retail Inventory (consists of WTC Serpong, GTC Makassar & Metropolis Town Square)	**92.4**	262.5	**6,465**	31,476	**88**	1,471
Newly Launched						
Malang Town Square	**109.5**	143.4	**20,284**	11,491	**768**	728
Grand Palladium - Medan	**277.8**	28.3	**21,810**	2,068	**819**	728
Depok Town Square	**484.3**	-	**29,260**	-	**1,795**	-
Total	**963.7**	434.2	**77,819**	45,035	**3,470**	2,927

b. Residential houses and shophouses

Sales from residential houses and shophouses decreased 73% from Rp 319.4 billion to Rp 86.5 billion in 2005 due largely to the shift of sales' focus to shopping malls.

	Revenue (billion Rp)		Building Area (sqm)		Units	
	'05	'04	**'05**	'04	**'05**	'04
Lippo Karawaci	**19.4**	264.6	**2,476**	76,278	**29**	833
Lippo Cikarang	**29.7**	10.8	**8,773**	3,331	**90**	34
Tanjung Bunga	**28.0**	12.7*	**10,503**	8,448	**204**	45
Royal Serpong	**9.4**	31.3	**2,335**	9,731	**23**	67
Total	**86.5**	319.4	**24,087**	97,788	**346**	979

* Reflecting the last 5-month sales in line with the Financial Accounting Standards for merging company recorded under Purchase Method. Full year sales of Tanjung Bunga was Rp 45 billion (5.6 Ha).

c. Land for industrial and commercial

The Company posted 34% decline in sales of land for industrial and commercial use, from Rp 199.0 billion to Rp 131.9 billion in 2005. This is as a result of the Company's shifting focus to increase sales of shopping malls.

	Revenue (billion Rp)		Land Area (sqm)		Units	
	'05	'04	**'05**	'04	**'05**	'04
Lippo Karawaci	**50.0**	60.9	**16,102**	38,052	**34**	55
Lippo Cikarang	**61.0**	135.6	**110,955**	285,750	**14**	26
Tanjung Bunga	**20.9**	2.5	**19,906**	3,054	**39**	12
Total	**131.9**	199.0	**146,963**	326,856	**87**	93

2. Healthcare

Revenues from Healthcare sector during 2005 was Rp 488 billion, reflecting an 11% or Rp 50 billion increase from last year's figure of Rp 438 billion. Each hospital contributed to this improvement, majority of which came from Siloam Hospitals Lippo Karawaci (43%) and Siloam Hospitals West Jakarta, formerly Graha Medika Hospital (34%).

Operational Indicators	Siloam Hospitals Lippo Karawaci (billion Rp)		Siloam Hospitals West Jakarta (billion Rp)		Siloam Hospitals Surabaya (billion Rp)		Siloam Hospitals Lippo Cikarang (billion Rp)	
	'05	'04	**'05**	'04	**'05**	'04	**'05**	'04
Revenue	**208**	194	**169**	158	**72**	59	**39**	27
EBITDA	**59**	52	**44**	38	**18**	13	**(1)**	(4)
BOR (%)	**68**	73	**61**	62	**67**	63	**43**	40

3. Infrastructure and Hospitality

The Infrastructure and Hospitality business is organized into the Infrastructure sector and Hospitality sector. The Infrastructure sector is further classified into Townships Management, Water and Waste Water Treatment Management, Asset Enhancement and Other segments. The Hospitality sector is classified into Hotels and the Restaurants and the Recreation and Sports segments. For the year ending in December 31, 2005, revenues from Infrastructure and Hospitality sector confirmed a 19.6% growth in 2005 to Rp 335 billion. Hospitality unit contributed Rp 34 billion additional revenue, while the Infrastructure unit - comprising Townships Management, Water and Waste Water Treatment, Asset Enhancement and Others - contributed additional revenues of Rp 21 billion as shown in table below.

	Revenue 2005 (billion Rp)	Revenue 2004 (billion Rp)
Hospitality		
Hotels & Restaurants	169	139
Leisure (Recreation and Sports)	41	37
Sub Total	**210**	**176**
Infrastructure		
Townships Management	56	41
Water and Waste Water Treatment	42	39
Asset Enhancement	17	11
Others	10	13
Sub Total	**125**	**104**
Total	**335**	**280**

GROSS PROFIT

The Company's gross profit in 2005 reached Rp 999 billion, rose by 29.1% compared to last year's figure of Rp 774 billion. Its gross profit margin also increased from 46% in 2004 to 50% in the year under review. The Infrastructure & Hospitality division provided the highest gross margin (60%) amongst the three divisions.

OPERATING EXPENSES

In 2005, operating expenses reached Rp 463 billion, consisting of Selling and General & Administration expenses that amounted to Rp 101 billion and Rp 362 billion, respectively. Compared to last year's figure, selling expenses in 2005 recorded a decrease of Rp 904 million. Meanwhile, the General and Administration expenses increased by Rp 57 billion, primarily due to increases in Salaries and Employees' Benefit of Rp 23 billion, Depreciation expenses of Rp 2 billion, Water and Electricity expenses of Rp 26 billion, and Transportation and Accommodation expenses of Rp 9 billion.

EBITDA & EBIT

EBITDA in 2005 increased significantly to Rp 623 billion or 38% over the EBITDA of 2004.
The EBITDA margin consequently increased to 31% from 27% in previous year. The Company's operating profit (EBIT) for 2005 was Rp 536 billion, an increase of 46% over the 2004 figure of Rp 368 billion. The biggest contributor to EBIT was the Housing and Land Development division, with EBIT of Rp 373 billion or 70% of the total EBIT. The Healthcare and Infrastructure & Hospitality divisions almost evenly shared the remaining contributions of 15% each.

NET PROFIT AFTER TAX

The full year 2005 net profit after tax was Rp 359 billion, a 22.5% increase from the net profit of Rp 293 billion in 2004. This net profit growth was slightly higher than the growth in Revenues of 20%, from Rp 1,673 billion in 2004 to Rp 2,005 billion in 2005. This year's net profit margin of 18% was similar to the 2004 figure.

ASSETS

The Company's total assets grew by 12% from Rp 5,556 billion in 2004 to Rp 6,232 billion in 2005. The increase was mainly due to an increase of inventories and undeveloped land from Rp 3.2 trillion to Rp 3.8 trillion.

LIABILITIES & STOCKHOLDERS' EQUITY

The Company actively manages its liquidity and leverage positions at the healthy level. As such, the Company's total debt position as of the end of 2005 was Rp 1.68 trillion, a 38% improvement from the previous year. As a result, the Company's debt to equity ratio improved to 0.62 on 31 December 2005 from 1.86 at the end of 2004.

The Stockholders' Equity increased significantly from Rp 1.4 trillion in 2004 to Rp 2.7 trillion this year, as the Company successfully completed the 2nd Rights Issue on January 20, 2005, providing additional paid-up capital of Rp 926 billion.

LOOKING AHEAD

Moving into year 2006, the Company is set to sustain last year's growth momentum. Revenue increases are likely to come from improved contributions from the Housing and Land Development division, as well as from the Healthcare and Infrastructure & Hospitality divisions.

The good performance of the Housing and Land Development division in 2005 is expected to continue next year. In November 2005, the Company started the construction of the strategically located 'City of Tomorrow' project in Waru, Surabaya, the capital of East Java province. The Company is now finalising plans for the Grand Paragon and Kemang Village development projects which constructions are scheduled to start in 2006. In the Kemang Village project, the Company plans to build its first leased mall along with a condominium. Another condominium will also be built over our Depok Town Square Mall.

Marketing efforts have also been intensified, amongst others, by strengthening the marketing teams and further development of marketing channels. These would help boost sales of existing inventory as well as sales from the new projects mentioned above.

In the Healthcare division, each of the Company's four hospitals are launching efforts to increase their Bed Occupancy Ratio (BOR) as well as revenues from their pharmacy and other medical services. Recruitment of experienced and best quality medical and nursing staff remains highest on the division's priority list.

As in the other two divisions, the Hospitality division is also making efforts to improve their performance next year with better marketing efforts to increase both its occupancy ratio and revenues.

In addition, the Company will continue to strengthen the rental income through finding new tenants for its retail spaces. The entry of prestigious tenants such as the Shell petrol station in Karawaci in October 2005, is expected to bring other reputable tenants into the Company's townships and thus enhance the value of our landbank.

Financial Report

RSM AAJ Associates

PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES

Independent Auditors' Report and
Consolidated Financial Statements
For the Years Ended
December 31, 2005 and 2004

Aryanto Amir Jusuf & Mawar
Registered Public Accountants

RSM AAJ Associates

PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES

Independent Auditors' Report
and
Consolidated Financial Statements
For the Years Ended
December 31, 2005 and 2004

Aryanto Amir Jusuf & Mawar
Registered Public Accountants

LIPPOKARAWACI

DIRECTOR'S STATEMENT
ON
THE RESPONSIBILITY FOR PT LIPPO KARAWACI TBK
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2005

We the undersigned :

1.	Name	: Viven G. Sitiabudi
	Address	: 2121 Bulevar Gajah Mada,Lippo Cyber Park Lippo Karawaci, Tangerang -15811
	Residential Address (as in identity card)	: Jln. Taman Golf No.386 Taman Golf Lippo Karawaci
	Telephone	: (021) 54200685
	Title	: President Director
2.	Name	: Tjokro Libianto
	Address	: 2121 Bulevar Gajah Mada,Lippo Cyber Park Lippo Karawaci, Tangerang-15811
	Residential Address (as in identity card)	: Jl. Kembang Agung V F2/55, Kembangan Jakarta Barat
	Telephone	: (021) 5807552
	Title	: Director

State that :

1. We are responsible for the preparation and the presentation of the consolidated financial statements of PT Lippo Karawaci Tbk ("the Company);

2. The Company's consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;

3. a. All information contained in the Company's consolidated financial statements is complete and correct;
   b. The Company's consolidated financial statements do not contain misleading material information or facts and do not omit material information or facts; and

4. We are responsible for the Company's internal control system.

This statement is issued to the best of our knowledge and belief.

Lippo Karawaci, February 1, 2006

PT Lippo Karawaci Tbk

Viven G. Sitiabudi
President Director

Tjokro Libianto
Director

2111 Boulevard Gajah Mada # 01-01 Lippo Cyber Park
Lippo Karawaci 100, Tangerang 15811, Banten - Indonesia
Telp. : (62 21) 5579-0190/91, Fax. : (62 21) 5579-7220, 7117, 7111
Website : http://www.lippokarawaci.co.id

RSM AAJ Associates

This report is originally issued in Indonesian language

Aryanto Amir Jusuf & Mawar
Registered Public Accountants
Plaza ABDA, Floor 10 & 11
Jl. Jend. Sudirman Kav. 59 Jakarta 12190, Indonesia
Phone : (62) (21) 5140 1340
Fax. : (62) (21) 5140 1350
www.aaj.co.id

Number : R/009/5/02/06

Independent Auditors' Report

The Stockholders, Commissioners and Directors
PT Lippo Karawaci Tbk

We have audited the accompanying consolidated balance sheets of PT Lippo Karawaci Tbk and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of PT Gowa Makassar Tourism Development Tbk, a subsidiary, for the years ended December 31, 2005 and 2004, which reflect total assets of Rp 266,098 million and Rp 262,291 million or representing about 4.27% and 4.72% of total consolidated assets as of December 31, 2005 and 2004, respectively. Those financial statements were audited by other independent auditors, whose reports dated January 26, 2006 and March 4, 2005, respectively, expressed an unqualified opinion thereon. Those reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary is based solely on the reports of the other independent auditors.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Lippo Karawaci Tbk and subsidiaries as of December 31, 2005 and 2004, and the results of their operations, their changes in stockholders' equity and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

This report is originally issued in Indonesian language

As disclosed in Note 38 to the consolidated financial statements, the Company plans to restructure its assets by transferring certain assets to its wholly own subsidiaries and to give a corporate guarantee on notes that will be issued by the Company's subsidiary. Those plans was approved by the shareholders in its Extraordinary Shareholders Meeting.

Dedy Sukrisnadi, BAP
License Number: 03.1.0882

Jakarta, February 1, 2006

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying consolidated balance sheets and related consolidated statements of income, changes in stockholders' equity and cash flows and their utilization are not designed for those who are not informed about Indonesian accounting principles, procedures, and practices.

The standards, procedures and practices utilized in Indonesia to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2005 and 2004
(In Full Rupiah)

ASSETS	Notes	2005 Rp	2004 Rp
Cash and Cash Equivalents	2.c , 2.d, 3, 9, 34	287,627,842,560	269,005,155,248
Investments	2.c, 2.e, 4, 9, 34	128,586,916,522	178,050,398,376
Accounts Receivable	2.c, 2.f, 34		
Third Parties			
(Net of allowance for doubtful accounts of Rp 44,450,909,580 and Rp 44,145,623,783 as of December 31, 2005 and 2004, respectively)	5	478,383,577,586	194,842,688,551
Related Parties			
(Net of allowance for doubtful accounts of Rp 204,467,631 and Rp 51,708,789 as of December 31, 2005 and 2004, respectively)	5, 9	1,044,182,232	384,369,946
Other Receivables			
(Net of allowance for doubtful accounts of Rp 6,316,521,239 and Rp 7,932,063,188 as of December 31, 2005 and 2004, respectively)	2.c, 2.f, 6, 9, 34	50,455,625,606	57,514,586,084
Inventories			
(Net of allowance for decline in inventories value of Rp 39,505,683 as of December 31, 2005 and 2004, respectively)	2.g, 2.m, 7	2,895,977,738,844	1,809,708,141,448
Prepaid Taxes and Expenses	2.c, 2.h, 2.o, 34	20,160,069,844	31,912,943,807
Purchase Advances	8	45,633,449,318	200,934,007,107
Due from Related Parties			
(Net of allowance for doubtful accounts of Rp 13,665,783,177 and Rp 16,388,205,581 as of December 31, 2005 and 2004, respectively)	2.f, 9	19,276,776,212	10,314,419,926
Deferred Tax Assets - Net	2.o, 17.b	40,650,824,353	47,860,784,945
Undeveloped Land	2.g, 2.m, 10	876,274,768,453	1,397,887,722,203
Property and Equipment			
(Net of accumulated depreciation of Rp 542,424,696,677 and Rp 461,536,855,999 as of December 31, 2005 and 2004, respectively)	2.i, 2.j, 2.k, 11	1,182,560,494,329	1,168,917,602,708
Intangible Assets			
(Net of accumulated amortization of Rp 10,751,187,381 and Rp 369,205,639 as of December 31, 2005 and 2004, respectively)	2.l, 12	112,264,354,230	102,086,457,514
Other Assets	2.c, 13, 32.a, 34	93,337,873,343	86,758,578,983
TOTAL ASSETS		**6,232,234,493,432**	**5,556,177,856,846**

See the Accompanying Notes which are an integral part of
these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
As of December 31, 2005 and 2004
(In Full Rupiah)

LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	Notes	2005	2004
		Rp	Rp
LIABILITIES			
Loans	2.c, 2.m, 2.p, 14, 34		
Third Parties		892,641,792,968	416,702,028,084
Related Parties	9	112,675,500,000	75,985,500,000
Accounts Payable	2.c, 34	195,368,367,657	162,826,346,876
Other Payables	2.c, 2.u, 15, 34	815,956,628,415	2,280,167,955,042
Accrued Expenses	2.c, 2.n, 16, 34	166,013,617,097	177,910,840,435
Taxes Payable	2.o, 17.c	307,601,249,457	151,678,073,089
Advance from Customers	2.n, 9, 18	526,607,199,689	394,374,595,562
Deferred Income	2.n	105,696,241,375	84,249,250,012
Obligations Under Capital Lease	2.j	446,994,060	1,775,269,435
Due to Related Parties	9	40,770,746,550	41,072,229,935
Deferred Gain on Sales and Leaseback Transactions	2.j	1,747,564,816	1,854,558,580
Estimated Liabilities on Employees' Benefits	2.t, 19	83,032,066,417	66,678,683,050
Total Liabilities		**3,248,557,968,501**	**3,855,275,330,100**
MINORITY INTERESTS		**291,042,111,965**	**255,977,280,142**
STOCKHOLDERS' EQUITY			
Capital Stock			
Par Value of Rp 500 per Share			
Authorized Capital - 8,000,000,000 shares as of December 31, 2005 and 2004			
Issued and Fully Paid - 2,932,849,570 shares as of December 31, 2005 and 2,051,387,299 shares as of December 31, 2004	20	1,466,424,785,000	1,025,693,649,500
Additional Paid in Capital - Net	21	644,746,245,298	167,383,190,047
Difference Arising from Restructuring Transactions of Entities Under Common Control - Net	2.b, 2.r, 23	149,144,092,881	149,144,092,881
Retained Earnings			
Appropriated		200,000,000	200,000,000
Unappropriated		432,119,289,787	102,504,314,176
Total Stockholders' Equity		**2,692,634,412,966**	**1,444,925,246,604**
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		**6,232,234,493,432**	**5,556,177,856,846**

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Continued)
For the Years Ended December 31, 2005 and 2004
(In Full Rupiah)

	Notes	2005 Rp	2004 Rp
NET SALES, SERVICES AND OTHER REVENUES	2.n, 24	2,004,950,543,306	1,672,680,675,445
COST OF SALES AND SERVICES	2.n, 25	1,005,743,111,025	898,489,531,206
GROSS PROFIT		999,207,432,281	774,191,144,239
OPERATING EXPENSES	2.n		
Selling	26.a	101,507,509,136	102,411,608,313
General and Administrative	26.b	361,696,782,896	304,240,700,739
Total Operating Expenses		463,204,292,032	406,652,309,052
INCOME FROM OPERATIONS		536,003,140,249	367,538,835,187
OTHER INCOME (EXPENSES)	2.n		
Penalties Income	27	16,488,547,922	6,111,933,144
Gain (Loss) on Foreign Exchanges	2.c	11,038,415,902	(10,516,034,578)
Gain on Disposal of Property and Equipment	2.i, 11	3,285,604,685	1,307,960,161
Interest Expenses - Net	28	(38,662,323,854)	(31,508,422,576)
Gain on Disposal of Investments - Net	2.e, 29	--	29,635,104,186
Business Combination Expenses		--	(30,082,380,291)
Others		2,971,522,004	(741,196,200)
Total Other Expenses - Net		(4,878,233,341)	(35,793,036,154)
INCOME BEFORE EQUITY IN NET EARNINGS OF ASSOCIATES		531,124,906,908	331,745,799,033
EQUITY IN NET EARNINGS OF ASSOCIATES	2.e, 4	3,914,998,918	4,974,078,851
INCOME BEFORE INCOME TAX BENEFIT (EXPENSE)		535,039,905,826	336,719,877,884
INCOME TAX BENEFIT (EXPENSE)	2.o, 17.a		
Current		(162,670,018,457)	(80,287,989,315)
Deferred		(7,209,960,592)	46,155,309,626
Total Income Tax Expense		(169,879,979,049)	(34,132,679,689)
INCOME BEFORE EXTRAORDINARY ITEMS		365,159,926,777	302,587,198,195
EXTRAORDINARY ITEMS	2.p, 30	--	4,446,653,128
INCOME BEFORE MINORITY INTERESTS		365,159,926,777	307,033,851,323
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	2.b	(6,216,455,536)	(14,119,478,179)
NET INCOME		**358,943,471,241**	**292,914,373,144**
BASIC EARNINGS PER SHARE	2.q, 36	124	139

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2005 and 2004
(In Full Rupiah)

	Notes	Issued and Fully Paid Capital	Additional Paid in Capital - Net	Difference Arising from Restructuring Transactions of Entities Under Common Control	Proforma Equity Arising from Business Combination of Entities Under Common Control	Retained Earnings (Deficit)		Total Stockholders' Equity
						Appropriated	Unappropriated	
		Rp	Rp	Rp	Rp	Rp	Rp	Rp
BALANCE AS OF DECEMBER 31, 2003		**493,834,250,000**	**75,439,569,336**	**(4,677,115,352)**	**256,547,480,490**	**200,000,000**	**(140,346,423,534)**	**680,997,760,940**
Equity Adjustment Relating to the Business Combination Transactions	1.b, 21, 23	531,637,625,000	91,701,282,075	153,821,208,233	(256,547,480,490)	--	(50,063,635,434)	470,548,999,384
Additional Shares Through Preemptive Rights Issuance	20	221,774,500	--	--	--	--	--	221,774,500
Premium on Stock	21	--	242,338,636	--	--	--	--	242,338,636
Net Income		--	--	--	--	--	292,914,373,144	292,914,373,144
BALANCE AS OF DECEMBER 31, 2004		**1,025,693,649,500**	**167,383,190,047**	**149,144,092,881**	**--**	**200,000,000**	**102,504,314,176**	**1,444,925,246,604**
Additional Shares Through Preemptive Rights Issuance	20	440,731,132,000	--	--	--	--	--	440,731,132,000
Premium on Stock	21	--	477,363,046,501	--	--	--	--	477,363,046,501
Exercised Warrant Series I	20	3,500	--	--	--	--	--	3,500
Premium on Exercising Warrant Series I	21	--	8,750	--	--	--	--	8,750
Cash Dividend	22	--	--	--	--	--	(29,328,495,630)	(29,328,495,630)
Net Income		--	--	--	--	--	358,943,471,241	358,943,471,241
BALANCE AS OF DECEMBER 31, 2005		**1,466,424,785,000**	**644,746,245,298**	**149,144,092,881**	**--**	**200,000,000**	**432,119,289,787**	**2,692,634,412,966**

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005 and, 2004
(In Full Rupiah)

	2005 Rp	2004 Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection from Customers	1,873,514,631,111	1,410,967,117,665
Interest Payment - Net	(38,821,217,805)	(39,976,414,258)
Taxes Payment	(119,707,522,036)	(81,532,748,331)
Payment to Employees	(197,259,912,848)	(251,340,344,969)
Payment to Suppliers and Third Parties	(1,283,757,018,108)	(1,692,266,934,499)
Other Receipt (Payment) - Net	(1,534,990,728,471)	902,784,828,938
Net Cash Flows Provided by (Used in) Operating Activities	(1,301,021,768,157)	248,635,504,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of Investment	53,486,187,168	74,434,882,048
Disposal of Property and Equipment	3,792,558,886	2,464,224,202
Dividend Received	752,870,481	3,206,165,900
Withdrawal of Restricted Funds	(124,362,746)	(2,704,156,905)
Received of (Payment for) Advances	(17,543,551,992)	146,373,926,012
Acquisition of Property and Equipment	(101,822,491,469)	(91,349,212,147)
Others Receipt	--	20,160,376,313
Net Cash Flows Provided by (Used in) Investing Activities	(61,458,789,672)	152,586,205,423
CASH FLOWS FROM FINANCING ACTIVITIES		
Received of Stock Issuance	918,094,178,501	465,726,450
Proceed From Loans	746,050,000,000	14,502,299,079
Payment of Obligations Under Capital Lease	(1,325,318,869)	(529,093,000)
Cash Paid to Related Parties	(20,607,869,140)	(63,514,727,259)
Payment of Dividend	(29,328,495,630)	--
Repayment of Loans	(40,000,125,272)	(431,608,781,807)
Settlement of Promissory Notes	(192,580,569,626)	(11,524,227,450)
Cash Received From Related Parties	--	11,729,798,620
Issuance of Promissory Notes	--	145,000,000,000
Net Cash Flows Provided by (Used in) Financing Activities	1,380,301,799,964	(335,479,005,367)
Effect on Foreign Exchanges on Cash and Cash Equivalents at the End of the Year	801,445,177	(321,878,354)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,622,687,312	65,420,826,248
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	269,005,155,248	190,760,022,992
CASH AND CASH EQUIVALENTS FROM MERGED COMPANIES ACCOUNTED FOR UNDER PURCHASE METHOD	--	12,824,306,008
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**287,627,842,560**	**269,005,155,248**
Cash and Cash Equivalents at the End of the Year consists of:		
Cash on Hand	4,270,286,722	4,344,061,223
Cash in Banks	56,517,027,664	76,772,024,663
Time Deposits	226,840,528,174	187,889,069,362
Total	**287,627,842,560**	**269,005,155,248**

See the Accompanying Notes which are an integral part of
these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2005 and 2004
(In Full Rupiah)

	2005 Rp	2004 Rp
ADDITIONAL INFORMATION ON CASH FLOW		
Activities not Affecting Cash Flows:		
Swap Transaction Loan Settlement Dresder Kleinwort Wassertein Ltd with Promissory Notes Dorset Investment Ltd, Regent Asset Management Ltd and Basingstoke Investment Ltd	--	186,922,756,592
Settlement Company's Loan with Securities Accounts at PT Ciptadana Sekuritas	--	25,500,000,000
Transactions Related to the Business Combination:		
New Shares Issuance	--	531,637,625,000
Increase of Additional Paid in Capital	--	91,701,282,075
Revaluation of ex Aryaduta's Property and Equipment	--	191,140,880,000

See the Accompanying Notes which are an integral part of
these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2005 and 2004
(In Full Rupiah)

1. General

1.a. The Company's Establishment

PT Lippo Karawaci Tbk (the Company) was established under the name of PT Tunggal Reksakencana on October 15, 1990 based on notarial deed No. 233 of Misahardi Wilamarta, SH. The deed of establishment was approved by the Minister of Justice of the Republic Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated November 22, 1991 and published in the State Gazette No. 62, Supplement No. 3593 on August 4, 1992. The Company's article of association have been amended several times and the latest by the Resolution of the Meeting of the Company, which was further legalized with notarial deed No. 5 of Unita Christina Winata, SH, dated February 4, 2005 concerning among others, the increase of authorized capital and additional paid-in capital as a result of rights issue II. The deed of amendment was approved by the Minister of Justice and Human Rights in his Decree No. C-07114.HT.01.04.Th.2005 dated February 4, 2005, which was published in the State Gazette No. 46, Supplement No. 532 dated June 10, 2005.

In accordance with article 3 of the Company's Articles of Association, the Company's scope of activities include real estate, urban development, land purchasing and clearing, land cut and fill, land development and excavation; infrastructure development; planning and developing of homes, buildings, offices and industrial estates, hotels, hospitals, commercial centers, sports centers as well as supporting infrastructure, including but not limited to golf courses, club houses, restaurants, other entertainment centers, medical laboratories, medical pharmacies and related facilities, sale, rent and operate the above activities, build and manage accommodation and public facilities, operating activities in public services consisting of public transportation, security protection and other supporting services, except for legal and taxation services.

As at the reporting date, the main activities of the Company are conducting businesses related to Housing and Land Development, Healthcare and Hospitals, and Infrastructure and Hospitality.

The Company is domiciled in 2121 Bulevar Gajah Mada #01-01, Lippo Cyber Park, Lippo Karawaci Tangerang.

1.b. Company's Stocks Public Offering

The Company's Initial Public Offering of 30,800,000 shares was declared effective by the Chairman of Capital Market Supervisory Board (Bapepam) in his Decree No. S-878/PM/1996 dated June 3, 1996, and was listed at Jakarta and Surabaya Stock Exchanges on June 28, 1996.

Subsequently, the Company offered 607,796,000 shares to its existing stockholders through Rights Issue I, as approved by the Decree of the Chairman of Bapepam in his letter No. S-2969/PM/1997 dated December 30, 1997. These shares were listed in Jakarta and Surabaya Stock Exchanges on January 16, 1998.

In July 30, 2004, the Company acquired several companies and merged them into the Company. As part of the merger, the Company issued 1,063,275,250 new shares to the merged companies' shareholders. Thus the Company's total issued shares was becoming 2,050,943,750 shares. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-19039.HT.01.04.Th.04 dated July 30, 2004.

In 2004, the Company issued new shares through a Limited Public Offering II in connection with preemptive rights issuance of 881,905,813 common shares at a par value of Rp 500 per share, and issued 529,143,488 Warrant Serie I as a compliment to shareholders that exercised their rights in the Limited Public Offering. This offering was approved by the Decree of The Chairman of Bapepam in his letter No. S-3357/PM/2004 dated October 29, 2004. These shares were listed in Jakarta and Surabaya Stock Exchanges on January 20, 2005. As of December, 31 2005, the total issued shares of the Company was 2,932,849,570 shares (see Note 20) and listed in Jakarta and Surabaya Stock Exchanges.

1.c. Company Structure

The following list presents the Company's ownership at subsidiaries in which the Company has control over their management and/or has ownership of more than 50%, either direct or indirectly.

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2005 Rp	Total Assets 2004 Rp
PT Prudential Development (formerly PT Prudential Golf Development)	Tangerang	Real Estate	100.00	--	255,439,975	741,848,598
Prudential Development Ltd	Vanuatu	Investment	100.00	--	2,088	2,088
PT Sentra Dwimandiri and Subsidiaries	Tangerang	Real Estate	100.00	--	777,650,680,365	736,173,439,036
PT Muliasentosa Dinamika (which has 4.48% ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	100.00	1997	326,984,501,967	318,172,128,974
PT Sentra Realtindo Development (which has 4.62% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Tangerang	House Improvement	100.00	2001	99,906,821,327	96,900,285,134
PT Darma Sarana Nusa Pratama and Subsidiaries	Tangerang	Real Estate	52.70	1997	87,709,129,417	85,344,381,998
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	42.16	2001	879,647,392	884,862,392
PT Golden Pradamas and Subsidiaries	Tangerang	Real Estate	100.00	--	130,519,009,530	119,833,822,581
PT Mulia Bangun Semesta and Subsidiaries	Jakarta	Real Estate	99.98	2002	105,768,270,875	96,544,900,006
PT Villa Permata Cibodas	Tangerang	Real Estate	79.98	1995	96,539,867,098	86,314,162,856
PT Puncak Resort International and Subsidiaries	Cianjur	Real Estate	100.00	1994	72,843,659,081	70,068,072,156
PT Sentosa Seksama	Cianjur	Real Estate	100.00	1994	23,234,483,030	26,282,947,825
PT Purimegah Swarga Buana	Cianjur	Real Estate	100.00	1994	8,778,597,817	8,779,073,817
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	100.00	1994	7,206,131,453	7,206,249,453
PT Pesanggrahan Suripermata Agung	Cianjur	Real Estate	100.00	1994	1,974,104,943	509,591,685
PT Dona Indo Prima	Cianjur	Real Estate	100.00	--	50,000,000	50,000,000
PT Sukmaprima Sejahtera	Cianjur	Real Estate	100.00	--	50,000,000	50,000,000
PT Sentra Asritama Realty Development	Tangerang	Installation and Water Treatment	100.00	1994	36,099,131,370	31,679,673,652
PT Sentra Graha Mandiri	Tangerang	Real Estate	100.00	--	33,312,021,192	33,312,393,192
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	100.00	1999	44,340,289,167	7,318,331,927
PT Saptapersada Jagatnusa	Tangerang	Bowling	100.00	1998	7,730,154,698	10,592,441,767
PT Sejatijaya Selaras	Tangerang	Real Estate	100.00	--	19,286,608,708	19,281,700,786
PT Taman Sari Lippo Karawaci	Tangerang	Food Court	100.00	1994	8,468,094,108	7,220,477,398
PT Surya Makmur Alam Persada	Tangerang	Real Estate	100.00	--	20,283,954,418	20,283,474,418
PT Bahtera Pratama Wirasakti	Tangerang	Real Estate	100.00	--	15,738,997,777	15,738,250,036
PT Sentra Office Realty	Tangerang	Building Management	100.00	1998	2,725,241,027	2,917,730,554
PT Dinamika Intertrans	Tangerang	Transportation	100.00	1994	3,653,192,051	3,608,832,621
PT Imperial Karawaci Golf	Tangerang	Golf	100.00	--	487,733,000	488,105,000
PT Agung Sepadan	Tangerang	Real Estate	100.00	--	37,058,934	37,333,407
PT Prudential Townhouse Development	Tangerang	Real Estate	100.00	--	65,326,888	76,041,499
PT Wahana Tatabangun Cemerlang Matahari	Tangerang	Real Estate	100.00	--	18,539,308	18,539,308
PT Wahana Tatabangun Cemerlang	Tangerang	Real Estate	100.00	--	16,808,566	16,808,566
PT Paragon City	Tangerang	Real Estate and Trading	100.00	--	500,000,000	--
PT Graha Indah Pratama	Jakarta	Real Estate and Urban Development	100.00	--	250,000,000	--
PT Sentra Dinamika Perkasa	Jakarta	Real Estate and Urban Development	100.00	--	250,000,000	--
PT Tata Prima Indah	Jakarta	Real Estate and Urban Development	100.00	--	250,000,000	--
PT Karya Sentra Sejahtera	Jakarta	Real Estate and Urban Development	100.00	--	250,000,000	--
Bridgewater International Ltd	Seychelles	Investment	100.00	--	49,150,000	--
Henley Investments Pte. Ltd	Singapore	General	100.00	--	590,700	--
Primerich Investments Pte. Ltd	Singapore	General Trading	100.00	--	11,814	--
Lovage International Pte. Ltd	Singapore	General Trading	100.00	--	177,215,907	--
Got Pte. Ltd	Singapore	General Trading	100.00	--	5,907,000	--

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2005 and 2004
(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2005 Rp	Total Assets 2004 Rp
PT Lippo Cikarang Tbk and Subsidiaries	Bekasi	Real Estate	51.33	1989	1,110,566,438,655	1,129,852,091,867
PT Great Jakarta Inti Development (which has 2.5% and 10% ownership in PT Dian Citimarga and PT Dunia Air Indah, respectively)	Bekasi	Town Management and Real Estate	51.33	1992	113,693,416,217	90,853,415,314
PT Erabaru Realindo	Bekasi	Real Estate	51.33	--	16,980,287,500	16,980,287,500
PT Dian Citimarga	Bekasi	Public Transportation	51.33	1993	117,204,202	191,447,272
PT Kreasi Dunia Keluarga	Bekasi	Recreation Service	51.38	1993	2,591,294,897	1,842,899,941
Lippo Land Development International Finance Company B.V.	Belanda	Investment	100.00	--	356,351,927	346,226,796
Pan Asian Investment, Ltd and Subsidiaries	Vanuatu	Trading	100.00	--	6,834,813,586	6,834,813,586
Cromwell Investment, Ltd	Vanuatu	Trading	100.00	--	16,930	16,930
PT Wisma Jatim Propertindo (which has 0.02% ownership in PT Pendopo Niaga) and Subsidiaries	Jakarta	Services	100.00	--	1,239,747,946,416	769,188,232,518
PT Larasati Anugerah	Jakarta	Trading	100.00	--	17,095,420	18,568,007,929
PT Carakatama Dirgantara and Subsidiaries	Jakarta	Trading	100.00	--	12,714,757,213	12,582,185,235
PT Prudential Hotel Development	Jakarta	Trading and Service	100.00	1994*	12,693,224,176	12,684,432,519
PT Ariasindo Sejati and Subsidiaries	Jakarta	Trading and Service	95.00	--	182,837,795,391	22,005,250,446
PT Unitech Prima Indah	Medan	Real Estate	94.68	2004	177,469,763,993	199,399,044,253
PT Lipposindo Abadi and Subsidiaries	Jakarta	Trading	100.00	--	194,165,286,784	221,890,752,096
PT Kemuning Satiatama (which has 42.20% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Jakarta	Trading	100.00	--	189,202,551,560	181,292,618,465
PT Megachandra Karyalestari	Jakarta	Trading	100.00	1992*	573,341,744	561,404,320
PT Prudential Office Development	Jakarta	Trading and Service	100.00	1994*	1,527,065,542	1,523,209,340
PT Prudential Apartment Development	Jakarta	Services	100.00	1993*	1,446,362,945	1,410,812,003
PT Sentra Kharisma Indah and Subsidiaries	Jakarta	Services	80.00	--	118,515,766	25,575,830,164
Norfolk Enterprises, Ltd	Cook Island	Trading	80.00	--	9,830	9,290
PT Sentra Goldhill Businesspark	Jakarta	Services	72.00	--	49,980,030	12,018,663,252
PT Metropolitan Leisure and Subsidiaries	Jakarta	Trading and Service	100.00	--	108,822,884,865	99,520,396,079
PT Kurniasindo Sejahtera	Jakarta	Trading and Service	100.00	--	1,358,921,820	1,354,737,659
PT Guna Tata Carakatama	Makassar	Trading and Service	100.00	2002	116,838,667	144,504,386
PT Lippo Land Cahaya Indonesia	Jakarta	Services	100.00	2003	5,534,929,947	1,301,425,055
PT Graha Tata Cemerlang Makassar	Makassar	Real Estate	100.00	2002	101,811,428,232	96,169,287,502
PT Bathara Brahma Sakti	Jakarta	Trading and Service	100.00	1992*	2,572,625,701	2,532,353,604
PT Realty Limaribu	Jakarta	Services	100.00	1998*	368,989,971	509,359,268
PT Dwisindo Jaya	Jakarta	Trading	100.00	--	117,397,077	121,206,440
PT Lipposindo and Subsidiaries	Jakarta	Trading	100.00	--	57,002,902,731	57,486,884,848
PT Pendopo Niaga	Jakarta	Real Estate	100.00	2004	56,782,957,186	188,500,442,172
PT Lippo Vacation and Subsidiaries	Jakarta	Trading	100.00	--	373,037,953,977	50,000,000
PT Jagat Pertala Nusantara	Jakarta	Real Estate	100.00	2004	357,981,208,920	--
PT Wisma Sumut Propertindo	Jakarta	Services	100.00	--	36,335,992	36,707,992
PT Mulia Mukti Persada Perkasa	Jakarta	Trading	100.00	--	5,000,000	5,000,000
PT Kemang Village and Subsidiaries	Jakarta	Trading	100.00	--	85,037,551,442	--
PT Menara Bhumimegah and Subsidiaries	Jakarta	Services	100.00	2005	83,314,802,547	--
PT Jaya Usaha Prima and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	--	68,937,896,979	--
PT Persada Mandiri Abadi and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	2005	68,964,695,979	--
PT Pesona Indah Lestari	Jakarta	Hotel and Tourism	100.00	--	10,000,000,000	--
PT Prima Aman Sarana	Jakarta	Services	100.00	--	500,000,000	--
PT Kemang Multi Sarana	Jakarta	Real Estate and Urban Development	100.00	--	500,000,000	--
PT Menara Perkasa Megah and Subsidiaries	Jakarta	Real Estate and Urban Development	100.00	2005	209,600,148,361	--
PT Pelangi Cahaya Intan Makmur and Subsidiaries	Sidoarjo	Trading	85.00	--	155,378,342,024	--
PT Surya Mitra Jaya	Sidoarjo	Trading and Service	85.01	2005	154,483,772,608	--
PT Maharama Sakti	Jakarta	Trading	100.00	--	41,103,928	36,090,928
Indigo Investment Fund, Ltd	Cook Island	Investment	100.00	--	9,830	9,290
Bankasia Holdings, Ltd	Cook Island	Trading	100.00	--	9,830	9,290
Inglewood Properties, Ltd	Cook Island	Trading	100.00	--	9,830	9,290
Chesterfield	Cook Island	Trading	100.00	--	9,830	9,290
PT Aritasindo Permai Semesta and Subsidiaries	Jakarta	Healthcare	99.98	--	6,989,792,997	18,700,000
PT Siloam Gleneagles Specialis Clinic	Jakarta	Healthcare	99.98	2005	6,971,092,997	--
PT Siloam Hospital	Jakarta	Healthcare	99.98	--	2,000,000,000	--
PT Eramulia Pratamajaya	Jakarta	Healthcare	99.98	--	18,700,000	18,700,000
PT Siloam Gleneagles Hospitals (formerly PT Sentralindo Wirasta)	Jakarta	Healthcare	99.98	--	2,069,929,502	2,032,286,516
PT East Jakarta Medika	Bekasi	Healthcare	50.00	2002	62,217,354,521	67,135,520,418
PT Serasi Adikarsa	Bekasi	Healthcare	99.98	--	5,000,000	5,000,000
PT Sentra Star Dinamika	Bekasi	Healthcare	99.98	--	5,000,000	5,000,000
PT Shimatama Graha	Bekasi	Restaurant, Bar, Catering, Etc	100.00	1989	2,155,445,132	2,823,801,414
PT Aryaduta International Management (Formerly PT Duamitra Sejati)	Jakarta	Management Building	100.00	1998	295,496,705	515,270,718
PT Tigamitra Ekamulia	Jakarta	General	100.00	1998*	131,439,263	250,434,885
PT Mandiri Cipta Gemilang	Jakarta	Development Real Estate	100.00	2003	367,802,069,050	365,213,123,402

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2005 Rp	Total Assets 2004 Rp
PT Aresta Amanda Lestari (which has 0.31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	4,272,840,000	4,256,037,220
PT Aresta Permata Utama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,315,000,000	2,129,296,704
PT Fajar Usaha Semesta (which has 4.73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	3,173,000,000	2,917,869,588
PT Fajar Raya Cemerlang (which has 4.58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	3,074,000,000	2,826,921,578
PT Fajar Abadi Aditama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,315,000,000	2,129,296,704
PT Nuansa Indah Lestari and Subsidiaries	Jakarta	General Trading	99.99	--	31,238,038,911	30,659,876,274
PT Metropolitan Permai Semesta and Subsidiaries	Jakarta	General Trading	89.73	--	33,022,838,911	26,183,395,678
PT Makassar Permata Sulawesi (which has 32.5% ownership in PT Gowa Makassar Tourism Development Tbk)	Makassar	General Trading	88.65	--	31,014,679,133	29,666,771,996
PT Gowa Makassar Tourism Development Tbk	Makassar	Real Estate and Property	50.30	1997	266,098,434,908	262,291,350,599

** Not Active*

On February 28, 2004, PT Kartika Abadi Sejahtera (Kartika), "Merged Company", (see Note 31) bought 99.98% shares of PT Aresta Amanda Lestari, PT Aresta Permata Utama, PT Fajar Usaha Semesta, PT Fajar Raya Cemerlang, PT Fajar Abadi Aditama, and 99.99% shares of PT Nuansa Indah Lestari (which owned 89.73% shares in PT Metropolitan Permai Semesta (MPS) and MPS owned 98.80% shares in PT Makassar Permata Sulawesi), all of which owned shares in PT Gowa Makassar Tourism Development Tbk (GMTD). On April 29, 2004, Kartika also purchased 5,000,000 shares of GMTD through Jakarta Stock Exchange equal to 4.9% at a cost of Rp 3,250,000,000. This has made Kartika's ownership (both direct and indirectly) at GMTD becoming 50.30%; and consequently the Company's consolidated financial statements include GMTD's financial statements.

On April 12, 2004, PT Golden Pradamas (GP), a subsidiary, acquired 24.99% shares of PT Mulia Bangun Semesta (MBS); and an associate company namely PT Taman Karawaci Permai, acquired 0.01% shares of MBS. Consequently GP's ownership at MBS became 99.98%.

On June 22, 2004, PT Siloam HealthCare Tbk (ex Siloam), "Merged Company" (see Note 31), increased its share ownership in PT Sentralindo Wirasta (Sentralindo) through the purchase of 1,994,601 shares with value of Rp 1,994,601,000. After the business combination (see Note 31), Sentralindo became involved in healthcare service activities, thus the consolidated financial statements of the Company for the year of 2004 included the financial statements of Sentralindo. Previously, ex Siloam's investment in Sentralindo was carried at cost (see Note 4.b). On August 10, 2004, Sentralindo changed its name to PT Siloam Gleneagles Hospitals.

Due to business combination that was take effect on July 30, 2004, (see Note 31), the Company's ownership in PT Lippo Cikarang Tbk (LC), both directly and indirectly has increased from 9% to 51.33% and resulted to the inclusion of the consolidated financial statements of LC in the Company's consolidated financial statements.

On November 2, 2004, PT Lipposindo (LS), a subsidiary, acquired 50% ownership of PT Pendopo Niaga (PN). On November 5, 2004, LS increased its ownership to 99.98%. Based on Notarial deed No. 22 of Unita Christina Winata, SH, dated March 16, 2005, PN's authorized capital was increased from 20,000 shares to 2,000,000 shares, issued and fully paid capital from 5,000 shares to 500,000 shares with a par value of Rp 1,000 per share. All additional issued and fully paid capital were all taken by LS. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-08920 HT.01.04.TH.2005 dated April 4, 2005.

On December 16, 2004, PT Ariasindo Sejati (AS), a subsidiary, acquired 50% ownership of PT Unitech Prima Indah. On December 21, 2004, AS increased its ownership to 99.66%.

PT Paragon City was established under notarial deed No. 9 of Unita Christina Winata, SH, dated December 16, 2004. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-04712.HT.01.01.TH.2005 dated February 23, 2005.

PT Kemang Village was established under notarial deed No. 45 of Unita Christina Winata, SH, dated April 15, 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-22400.HT.01.01.TH.2005 dated August 11, 2005.

On May 27, 2005, PT Lippo Vacation, a subsidiary, acquired 99.96% ownership of PT Jagat Pertala Nusantara.

On August 9, 2005, two subsidiaries companies namely PT Aritasindo Permai Semesta and PT Maharama Sakti, acquired 99% and 1% ownership of PT Metaindo Pratama, respectively. Based on Shareholders' General Meeting held on September 20, 2005, which was legalized by notarial deed No. 13 of Unik Setyawati, SH; PT Metaindo Pratama, changed its name to PT Siloam Gleneagles Spesialist Clinic. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-27758.HT.01.04.TH.2005 dated October 7, 2005.

On November 10, 2005, PT Wisma Jatim Propertindo acquired 96% ownership of PT Menara Perkasa Megah (MPM). MPM owned 85% share in PT Pelangi Cahaya Intan Makmur (PCIM) and PCIM owned 99.95% shares in PT Surya Mitra Jaya. Up to the date of completing this consolidated financial statements, the amendment of article of association of MPM related to the change of shareholders' composition is still in the process of obtaining approval from the Minister of Justice and Human Rights of the Republic Indonesia.

On November 23, 2005, PT Kemang Village acquired 99.99% ownership of PT Menara Bumi Megah (MBM). MBM owned 80% shares in PT Jaya Usaha Prima (JUP) and JUP have 99.99% shares ownership in PT Persada Mandiri Abadi (PMA). PMA owned 99% shares in PT Pesona Indah Lestari, PT Prima Aman Sarana and PT Kemang Multi Sarana. Up to the date of completing this consolidated financial statements, the amendment of articles of association of MBM related to the change of the shareholders' composition is still in the process of obtaining approval from the Minister of Justice and Human Rights of the Republic Indonesia.

PT Graha Indah Pratama was established under notarial deed No. 12 of Myra Yuwono, SH, dated December 15, 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-34546.HT.01.01.TH.2005 dated December 27, 2005.

PT Sentra Dinamika Perkasa was established under notarial deed No. 13 of Myra Yuwono, SH, dated December 15, 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-34547.HT.01.01.TH.2005 dated December 27, 2005.

PT Tata Prima Indah was established under notarial deed No. 14 of Myra Yuwono, SH, dated December 15, 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-34630.HT.01.01.TH.2005 dated December 27, 2005.

PT Karya Sentra Sejahtera was established under notarial deed No. 15 of Myra Yuwono, SH, dated December 15, 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-34548.HT.01.01.TH.2005 dated December 27, 2005.

On December 20, 2005, PT Prudential Golf Development changed its name to PT Prudential Development which was legalized by notarial deed No. 92 of Unita Christina Winata, SH, dated December 29, 2005.

On December 29, 2005, PT Sentra Dwi Mandiri acquired 99.98% ownership of Bridgewater International Ltd. (BI) and PT Prudential Development acquired 0.02% ownership of BI. BI owned 100% share in Henley Investments Pte. Ltd, Primerich Investments Pte. Ltd, Lovage International Pte. Ltd and Got Pte. Ltd.

1.d. Board of Commissioners, Board of Directors and Employees

Based on the notarial Deed of Shareholders Meeting Resolution No. 51 of Yana Valentina, SH, dated April 12, 2005 which in her capacity act as a replacement for Misahardi Wilamarta, SH, the Company's Boards of Commissioners and Directors as of December 31, 2005 were as follows:

Board of Commissioners:

President Commissioner	:	Ning Gaoning
Vice President Commissioner	:	Surjadi Soedirdja
Independent Commissioner	:	Theo L. Sambuaga
Independent Commissioner	:	Tanri Abeng
Independent Commissioner	:	Farid Harianto
Independent Commissioner	:	Agum Gumelar
Commissioner	:	Eddy Sindoro
Commissioner	:	Song Lin (Song Lin, Charley)

Directors:

President Director	:	Gouw Vi Ven (Viven G. Sitiabudi)
Director	:	Tjokro Libianto
Director	:	Lucyanna Pandjaitan
Director	:	Jopy Rusli
Director	:	Hendra Agus

As of December 31, 2005 and 2004, the Company and its subsidiaries have 4,128 and 4,155 permanent employees, respectively (unaudited).

2. Summary of Significant Accounting Policies

2.a. Basis of Measurement and Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared in conformity with generally accepted accounting principles in Indonesia, consisting of among others, the Statements of Financial Accounting Standard (SFAS) established by the Indonesian Institute of Accountants, and regulations from Capital Market Supervisory Board (Bapepam).

The basis of measurement in the preparation of this consolidated financial statements is by using the historical cost concept, except for investments in certain securities which are carried at fair value, and inventories which are carried at the lower of cost or net realizable value and certain property and equipment which have been revalued. The financial statements are prepared using the accrual method, except for statements of cash flows.

The consolidated balance sheets are presented based on the unclassified method in accordance with Statement of Financial Accounting Standards (SFAS) No. 44 "Accounting for Real Estate Activities".

The consolidated statement of cash flows are prepared using the direct method by classifying cash flows into operating, investing and financing activities.

The reporting currency used in the preparation of the financial statements is Indonesian Rupiah.

2.b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries which are presented in Note 1.c.

The consolidated financial statements have been prepared on the basis of entity concept. All significant related intercompany accounts, transactions and profits among the consolidated companies have been eliminated to reflect the financial position and result of operations as a whole.

2.c. Foreign Currency Transactions and Translation of Financial Report

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. On the balance sheets date, monetary assets and liabilities denominated in foreign currencies were adjusted to reflect the rates of exchange prevailing at the time, with the following conversion rates:

	2005 Rp	2004 Rp
USD 1	9,830	9,290
SGD 1	5,907	5,685
EUR 1	11,660	12,652
JPY 100	8,342	9,042
AUD 1	7,206	--

2.d. Cash Equivalents

Cash equivalents consist of time deposits and other short-term investments with maturities of not more than or equal to 3 (three) months since the date of placement and are not used as collateral to any liabilities.

2.e. Investments

Investments consist of placement of promissory notes, certain securities, mutual funds and investments in associated and other companies.

- **Promissory Notes**
  Investments in promissory notes are carried at acquisition cost less provisions for decline in value of investment, if any. Provisions are provided in the event when management believes that certain portion of risk in these investments are not recoverable.

- **Securities**
  Placement securities for which no fair market value are available are carried at cost. Placement in securities, which have a readily determinable fair value consists of debt and equity securities, and is classified into the following 3 (three) categories:

  - Trading
    Securities that in principal, are bought and held for the purpose of selling them in the near future, which are usually indicated by high frequency of purchase and sale transactions. These securities are held for the purpose of profit-taking in the short term. These securities are carried at fair value. Unrealized gains (losses) are recognized in the current year statements of income.

  - Held to Maturity
    Debt securities are classified as held to maturity and are carried at cost net of unamortized discount or premium.

  - Available for Sale
    Investment in securities which cannot be classified as "Trading" or "Held to Maturity" are carried at fair value. Any unrealized gain or loss from adjustment to fair value on the date of consolidated balance sheet is credited (debited) under "Unrealized Gain (Loss) on Available for Sale Investment" account as a separate component of stockholders' equity.

- **Mutual Fund**
  Investments in mutual fund are carried at net asset value. Unrealized gain (loss) from changes in net asset value at the balance sheets date is credited (debited) to the statement of income in the current year.

- **Investments in Associates and Other Companies**
  Investments in stock with ownership of less than 20% for which a fair market value are not readily determinable are carried at acquisition cost (cost method). Whereas investments with ownership from 20% up to 50%, either direct or indirect, are carried at acquisition cost by adding or deducting with the Company's share in net earnings or losses of the investee from the date of acquisition in proportion to ownership percentage and deducting any dividends received (equity method).

2.f. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the review of the status of the debtors at the end of year. The outstanding balance of receivables is written-off against the respective allowance for doubtful accounts or by direct write off the relevants accounts receivable when management believes that such accounts receivable were to be definitely uncollectible.

2.g. Inventories and Undeveloped Land

Inventories, which consist mainly of acquisition cost of land under development, shopping center, residential houses, shophouses, office buildings, and apartments, are carried at cost. Cost is determined by using the average method. Cost of land under development includes cost of land improvement and development, and capitalized interest and other financing charges obtained to finance the acquisition and development of land until the completion stage. The cost of residential houses and shophouses consist of actual construction cost.

Inventories of healthcare business (e.g. medicines, medical equipments, foods, beverages and others) are carried at the lower of cost or net realizable value. Cost is determined by using average method.

Inventories of hotel business (e.g. food, beverages and others) are carried at the lower of cost or net realizable value. Cost is determined using the first-in-first-out method (FIFO). Allowance for decline in inventories value is provided based on a review of inventory status at the end of year.

Land for future development which are owned by the Company and subsidiaries is classified as "undeveloped land". Upon the commencement of development and construction of infrastructure, the carrying cost of land will be transferred to the respective inventories or fixed assets accounts, whichever is most appropriate.

2.h. Prepaid Expenses

Prepaid expenses are amortized over 1 (one) to 3 (three) years according to each benefit period by using the straight-line method.

2.i. Property and Equipment

Property and equipment are carried at cost, except for certain fixed assets which are revalued based on government rules, less their accumulated depreciation. Land are carried at cost and not amortized. Depreciation is computed by using the straight line method based on the estimated useful lives of the assets, as follows:

Building, Infrastructure, and Renovations	:	4 - 40	Years
Parks and Interiors	:	5	Years
Golf Course and Club House	:	20	Years
Transportation Equipment and Vehicles	:	4 - 8	Years
Furniture, Fixtures and Office Equipment	:	3 - 10	Years
Tools and Medical Equipment	:	3 - 10	Years
Machinery and Project Equipment	:	3 - 10	Years
Bowling Machinery	:	10	Years
Playground Areas	:	5	Years

The cost of repairs and maintenance is charged to operation as incurred, whilst significant renovations and additions are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statement of income for the year.

Unutilized property and equipment are presented as a component of other assets and valued based on the lower of its carrying amount or net realizable value.

Construction in progress represents expenditure incurred directly to infrastructure development and fixed assets preparation. Expenditure include borrowing cost of loan used for developing assets during the construction period. Construction in progress will be transferred to the appropriate property and equipment account when the construction is completed and ready for its intended use.

2.j. Leases

Lease transactions are accounted for under capital lease when all of the following criteria are present:

(i) A lessee has an option to purchase the leased assets at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement;
(ii) Total periodic payments plus residual value shall fully cover the acquisition cost of leased capital goods plus interest thereon reflecting the lessor's profit (full pay out lease); and
(iii) Lease period covers a minimum of 2 (two) years.

If any one of the above criteria is not fulfilled, the lease transaction is categorized as an operating lease.

Gain on sale-and-leaseback transaction is deferred and amortized over the remaining useful lives of the leased assets using the straight line method.

Under the capital lease method, assets are presented under "Property and Equipment" account whereas its liability is presented under "Obligations Under Capital Lease" account. Property and equipment under capital lease and obligation under capital lease are recorded at present value of all lease payment plus its residual value (option price).

2.k. Impairment of Assets Value

Recoverable of assets value shall be estimated whenever events and changes of circumstances indicating carrying value may not be recoverable. Impairment in asset value is recognized as loss in the consolidated statements of income.

2.l. Intangible Assets

The difference of acquisition cost and the fair value of net assets of subsidiaries (goodwill) is amortized by using the straight-line method up to 20 (twenty) years.

Acquisition cost of accounting software which was acquired, is deferred and amortized by using the straight-line method based on the estimated of economic useful lives for 5 (five) years.

2.m. Borrowing Cost

Interest and other financing charges incurred on loans and debt obtained to finance the acquisition and development of land and building construction are capitalized to inventories and undeveloped land, whichever more appropriate. Capitalization ceases upon completion of all the activities related to the acquisition and development of land, or upon completion of the construction and the assets are ready for their intended use.

2.n. Revenue and Expense Recognition

The Company and subsidiaries recognize revenues from the sale of real estate using the full accrual method. Revenues of real estate sales will be fully recognized if the following conditions for each type of sale are met.

Sale of parcel of vacant land. The criteria that should be met are as follows:

a. The payments received from the buyer have reached 20% of the agreed selling price and the amount is non-refundable;
b. The collectibility of the sales price is reasonably assured;
c. The receivables from the sale is not subject to future subordination against other loans which will be obtained by the buyer;
d. The process of land development has been completed thus the seller is not obliged to develop the sold lots such as the obligation to construct lot of land or obligation to develop main infrastructure promised by the seller, in accordance with the sales and purchase agreement or any regulation requirements; and
e. The sale consists only of the vacant land, without any obligation of the seller in the construction of the buildings upon the land sold.

Sale of residential houses, shophouses and other similar types of buildings including parcel of land. The criteria that should be met are as follows:

a. The sale is consummated;
b. The collectibility of the sales price reasonably assured;
c. The receivables from the sale is not subject to future subordination against other loans which will be obtained by the buyer; and
d. The seller has transferred to the buyer the usual risks and rewards of ownership through a transaction representing a sale in substance and the seller does not have substantial continuing involvement with such property.

The revenue from shopping centers are recognized based on percentage of completion method, if all of the following criteria are met:

a. The construction process has already beyond preliminary stage, that is the building foundation has been completed and all of the requirements to start the construction have been fulfilled;
b. Total payments received from the buyer is at least 20% of the contract sales price and that such amount is not refundable; and
c. The amount of revenue and cost of the unit property can reasonably be estimated.

The method used to determine the level of development activity completion is based on percentage of actual activities accomplished to total development activities need to be accomplished.

If a real estate sale fails to meet the criteria of full accrual method, revenue recognition is deferred and that transaction is recognized using the deposit method until all of the conditions of full accrual method are fulfilled.

Cost of land lots sold is determined based on estimated acquisition cost of the land plus other estimated expenditures for its improvements and developments. The cost of residential houses and shophouses sold is determined based on actual cost incurred and estimated cost to complete the work. The estimated cost to complete is included under "Accrued Expenses". The difference between the estimated cost and the actual cost of construction or development is charged to "Cost of Sales" in the current year.

Revenue from medical service are recognized when medical services are rendered or when medical supplies are delivered to patients.

Hotel, club membership and restaurant revenues are recognized when services have been rendered. Initiation and membership fees received in advance are presented as Deferred Income and are recognized as income over the period of membership.

Expenses are recognized when incurred (accrual basis).

2.o. Income Tax

All temporary differences arising between tax bases of assets and liabilities and their carrying value are recognized as deferred tax using the liability method. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to carryforward unused tax losses are recognized to the extent that it is probable the future taxable profit will be available against which the unused tax losses can be utilized. Amendments to tax obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

Current tax is recognized based on taxable income for the year, in accordance with current tax regulations.

2.p. Debt Restructuring

For debt restructuring involving only the modification of such debt's terms and conditions without assets transfer or equity swap, the effect of restructuring is recorded prospectively since the commencement of restructuring and does not change the carrying amount of the outstanding debt at such restructuring date unless the carrying amount exceeds the total future cash payments (principal and interest) as covered under the new terms.

2.q. Earning per Share

Basic earning per share (EPS) is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders' with the weighted average number of common stocks during 1 (one) reporting period. The total weighted average number of shares outstanding are amounting to 2,894,210,124 and 1,886,739,590 shares for the years ended December 31, 2005 and 2004 respectively.

2.r. Difference Arising from Restructuring Transactions of Entity Under Common Control

The restructuring transactions with entities under common control, such as transfers of assets, liabilities, shares or other ownership instruments by re-organizing entities within the same group, does not represent changes of ownership in terms of economic substance, should not result in gain or loss for the group companies as a whole or for the individual entity in the group.

Since restructuring transactions with entities under common control do not result in changes in term of economic substance of ownership in transferred assets, liabilities or other ownership instruments, the transferred assets or liabilities (in legal form) should be recorded at book value in a manner similar to business combination transactions using the pooling of interest method.

The difference between transfer price and book value does not represent goodwill. Such difference is recorded in an account entitled "Difference Arising from Restructuring Transactions of Entity Under Common Control" and presented as a component of stockholders' equity.

2.s. Segment Information

Primary segment information of the Company and subsidiaries are presented based on business segment group. Business segment is a distinguishable component and results in a different products or services based on different industry or a product group or service, especially for customers outside the Company's entity.

The Company's business segment consist of Housing and Land Development, Healthcare and Hospitals, and Infrastructure and Hospitality. Housing and Land Development segment comprises, among other, activities in real estate, urban development, land acquisition and clearing, land development and excavation, infrastructure development. Healthcare and Hospitals segment comprises activities in health services. Infrastructure and Hospitality segment comprises, among others, activities in hotels, restaurants, town management and water and sewage treatment, rental service, recreation center, transportation and management service.

The geographical segment represents the Company's distinguishable components which provide products or services within a particular economic environment (location) and this component contains risks and returns that are different from those components which operate in other economic environments (locations).

2.t. Estimated Liabilities on Employees' Benefits

Short-term employees benefits is recognized at an undiscounted amount when employees have rendered their services to the Company during the accounting period.

Post employment benefit was recognized at discounted amount when the employees have rendered their service to the Company during the accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Company's common practices. In calculating the liabilities, the benefit must be discounted by using the projected unit credit method.

Termination benefit is recognized when, and only when, the Company is committed to either:
(a) terminate the employment of an employee or group of employees before the normal retirement date; or
(b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

2.u. Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 55 (revised 1999) regarding "Accounting for Derivative Instruments and Hedging Activities".

For derivatives designated as forward hedges, fair value changes of the effective portion of the hedging instrument are recognized in Forward Receivable or Payable until the hedged item is recognized in earnings. The ineffective portion of the fair value changes are recognized in earnings immediately.

2.v. Use of Estimates

The preparation of the consolidated financial statements is in accordance with generally accepted accounting principles in Indonesia, which requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of the contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Due to inherent uncertainty in the estimation determination, the actual amount of assets, liabilities, revenues and expenses reported in the future might possibly be different from these estimates.

3. Cash and Cash Equivalents

	2005 Rp	2004 Rp
Cash on Hand		
(2005: USD 4,495, SGD 2,083, EURO 555, AUD 1,218, JPY 41,800; 2004: USD 12,401,SGD 407)	4,270,286,722	4,344,061,223
Cash In Banks		
Related Party		
Rupiah		
PT Bank Lippo Tbk	30,887,590,429	47,629,682,097
Foreign Currency		
PT Bank Lippo Tbk (2005: USD 119,259; 2004: USD 394,742)	1,172,318,423	3,667,154,936
	32,059,908,852	51,296,837,033
Third Parties		
Rupiah		
PT Bank Mega Tbk	11,538,062,533	6,862,455,345
PT Bank Niaga Tbk	4,210,627,644	2,393,056,040
PT Bank Central Asia Tbk	3,448,916,926	10,123,805,686
PT Bank Agroniaga Tbk	2,318,843,752	62,498,146
PT Bank Internasional Indonesia Tbk	1,067,793,644	2,257,811,927
PT Bank Danamon Indonesia Tbk	672,714,184	1,935,158,973
PT Bank NISP Tbk	669,972,827	--
PT Bank Kesawan Tbk	67,813,352	65,789,775
PT Bank Rakyat Indonesia (Persero) Tbk	44,070,309	95,864,724
PT Bank Bukopin	22,969,108	15,711,003
PT Bank Negara Indonesia Tbk	--	613,093,103
PT Bank Panin Tbk	--	550,172,266
Others (each below Rp 10 million)	285,997,886	439,777,587

	2005 Rp	2004 Rp
Foreign Currency		
Bank of America N.A (2005: USD 9,154; 2004: USD 6,458)	89,986,018	59,993,055
PT Bank Niaga Tbk (USD 989)	9,727,079	--
PT Bank Mega Tbk (USD 978)	9,623,550	--
	24,457,118,812	25,475,187,630
Sub Total Bank	56,517,027,664	76,772,024,663
Time Deposits		
Related Party		
Rupiah		
PT Bank Lippo Tbk	66,355,167,000	164,887,000,000
Foreign Currency		
PT Bank Lippo Tbk (2005: USD 385,947; 2004: USD 499,805)	3,793,861,174	4,643,190,445
	70,149,028,174	169,530,190,445
Third Parties		
Rupiah		
PT Bank Niaga Tbk	100,000,000,000	--
PT Bank Mega Tbk	16,500,000,000	--
PT Bank NISP Tbk	15,000,000,000	--
PT Bank Agroniaga Tbk	12,500,000,000	12,600,000,000
PT Bank Danamon Indonesia Tbk	6,200,000,000	41,128,917
PT Bank Central Asia Tbk	5,100,000,000	--
PT Bank Internasional Indonesia Tbk	900,000,000	2,250,000,000
PT Bank Mayapada Tbk	--	3,000,000,000
Foreign Currency		
Bank of America N.A (2005: USD 50,000; 2004: USD 50,350)	491,500,000	467,750,000
	156,691,500,000	18,358,878,917
Sub Total Time Deposits	226,840,528,174	187,889,069,362
Total Cash and Cash Equivalents	**287,627,842,560**	**269,005,155,248**
Time Deposits:		
Interest Rates		
Rupiah	5% - 10%	5.25% - 7.25%
Foreign Currency	0.35% - 3.25%	0.60% - 1.75%
Maturity Period	1 Month	1 - 3 Months

4. Investments

	2005 Rp	2004 Rp
Promissory Notes	11,111,390,009	89,172,577,177
Investment in Shares of Stock:		
Associates	34,302,487,250	30,484,799,189
Others	58,403,573,430	58,393,022,010
Time Deposits	24,575,000,000	--
Mutual Funds (Trading)	194,465,833	--
Total	**128,586,916,522**	**178,050,398,376**

a. Promissory Notes

	2005 Rp	2004 Rp
Related Parties		
PT AsiaNet Multimedia	2,911,390,009	2,911,390,009
Third Parties		
PT Indah Pesona Bogor	8,200,000,000	--
Boston Ltd (USD 9,285,381)	--	86,261,187,168
Total	**11,111,390,009**	**89,172,577,177**

Promissory notes of PT AsiaNet Multimedia which is owned by PT Villa Permata Cibodas, a subsidiary, earned an annual discount rate of 7%. These promissory notes will mature on February 22, 2007.

Promissory notes of PT Indah Pesona Bogor which is owned by the Company, earned an annual discount rate of 15%. These promissory notes will mature on February 15, 2006.

Promissory notes of Boston Ltd which is owned by PT Pendopo Niaga, a subsidiary, earned an annual discount rate of 4% and were fully paid off on October 25, 2005 by the issuer.

b. Investment in Associates

	2005					
	Percentage of Ownership	Acquisition Cost	Accumulated Equity in Net Earnings (Losses)	Additional Investment	Dividend Received	Carrying Value
	%	Rp	Rp	Rp	Rp	Rp
Equity Method						
PT Multifiling Mitra Indonesia	49.81	500,000,000	16,184,968,913	--	(1,000,000,000)	15,684,968,913
PT Hyundai Inti Development	45.00	6,155,423,370	48,839,913,352	--	(47,519,873,861)	7,475,462,861
PT Nusa Medika Perkasa	21.91	2,500,000,000	178,477,045	--	--	2,678,477,045
PT Tritunggal Sentra Utama	20.00	583,500,000	1,784,653,241	--	--	2,368,153,241
PT Lippo Indorent	40.00	200,000,000	(267,667,130)	1,253,035,820	--	1,185,368,690
PT Lippo Hyundai Development	50.00	16,216,500,000	(16,216,500,000)	--	--	--
PT Bumi Lemahabang Permai	30.00	37,500,000	(37,500,000)	--	--	--
		26,192,923,370	50,466,345,421	1,253,035,820	(48,519,873,861)	29,392,430,750

	2005					
	Percentage of Ownership	Acquisition Cost	Accumulated Equity in Net Earnings (Losses)	Additional Investment	Dividend Received	Carrying Value
	%	Rp	Rp	Rp	Rp	Rp
Cost Method						
PT Dunia Air Indah	100.00	3,781,609,500	--	--	--	3,781,609,500
PT Adnansindo Intiprima	30.00	300,000,000	--	--	--	300,000,000
PT Tunas Pundi Bumi	99.92	250,000,000	--	--	--	250,000,000
PT Swadaya Teknopolis	99.99	249,999,000	--	--	--	249,999,000
PT Gunung Cermai Batamin	85.00	153,550,000	--	--	--	153,550,000
PT Ilmu Intiswadaya	20.00	100,000,000	--	--	--	100,000,000
PT Bekasi Mega Power	100.00	49,900,000	--	--	--	49,900,000
PT Taman Karawaci Permai	10.00	12,500,000	--	--	--	12,500,000
PT Sentra Star Dinamika	99.99	4,999,000	--	--	--	4,999,000
PT Serasi Adikarsa	99.99	4,999,000	--	--	--	4,999,000
PT Tunggal Griya Semesta	5.00	2,500,000	--	--	--	2,500,000
		4,910,056,500	--	--	--	4,910,056,500
Total		**31,102,979,870**	**50,466,345,421**	**1,253,035,820**	**(48,519,873,861)**	**34,302,487,250**

	2004				
	Percentage of Ownership	Acquisition Cost	Accumulated Equity in Net Earnings (Losses)	Dividend Received	Carrying Value
	%	Rp	Rp	Rp	Rp
Equity Method					
PT Multifiling Mitra Indonesia	49.81	500,000,000	13,033,389,960	(1,000,000,000)	12,533,389,960
PT Hyundai Inti Development	45.00	6,155,423,370	51,807,125,740	(50,984,873,861)	6,977,675,249
PT Nusa Medika Perkasa	21.91	2,500,000,000	1,255,519,081	--	3,755,519,081
PT Tritunggal Sentra Utama	20.00	583,500,000	1,724,658,399	--	2,308,158,399
PT Lippo Hyundai Development	50.00	16,216,500,000	(16,216,500,000)	--	--
PT Lippo Indorent	40.00	200,000,000	(200,000,000)	--	--
PT Bumi Lemahabang Permai	30.00	37,500,000	(37,500,000)	--	--
		26,192,923,370	51,366,693,180	(51,984,873,861)	25,574,742,689
Cost Method					
PT Dunia Air Indah	100.00	3,781,609,500	--	--	3,781,609,500
PT Adnansindo Intiprima	30.00	300,000,000	--	--	300,000,000
PT Tunas Pundi Bumi	99.92	250,000,000	--	--	250,000,000
PT Swadaya Teknopolis	99.99	249,999,000	--	--	249,999,000
PT Gunung Cermai Batamin	85.00	153,550,000	--	--	153,550,000
PT Ilmu Intiswadaya	20.00	100,000,000	--	--	100,000,000
PT Bekasi Mega Power	100.00	49,900,000	--	--	49,900,000
PT Taman Karawaci Permai	10.00	12,500,000	--	--	12,500,000
PT Sentra Star Dinamika	99.99	4,999,000	--	--	4,999,000
PT Serasi Adikarsa	99.99	4,999,000	--	--	4,999,000
PT Tunggal Griya Semesta	5.00	2,500,000	--	--	2,500,000
		4,910,056,500	--	--	4,910,056,500
Total		**31,102,979,870**	**51,366,693,180**	**(51,984,873,861)**	**30,484,799,189**

On June 22, 2004, PT Siloam Gleneagles Hospitals (formerly PT Sentralindo Wirasta) (SGH) increased its authorized capital to Rp 8,000,000,000 at Rp 1,000 per share and issued capital to Rp 2,000,000,000. At the same date, ex Siloam increased its ownership in SGH to 1,994,601 shares with value of Rp 1,994,601,000, resulting in ownership percentage increasing to 99.98%; SGH's financial statements are consolidated into the Company's financial statements (see Note 1.c).

Based on the notarial deed of Shareholders' General Meeting Resolution No. 56 of Popie Savitri Martosuhardjo Pharmanto, SH, dated December 12, 2004, PT Lippo Indorent, has converted the shareholders loan into its additional paid in capital.

Investments in PT Dunia Air Indah, PT Adnansindo Intiprima, PT Tunas Pundi Bumi, PT Swadaya Teknopolis, PT Gunung Cermai Batamin, PT Ilmu Intiswadaya, PT Bekasi Mega Power, PT Sentra Star Dinamika and PT Serasi Adikarsa are reported under cost method considering those companies have not started commercial operation.

c. Investment in Others

	2005 Rp	2004 Rp
PT Supermall Karawaci	57,372,704,000	57,372,704,000
PT East Jakarta Industrial Park	766,935,000	766,935,000
PT Spinindo Mitradaya	160,000,000	160,000,000
PT Bahana Dana Prima	1,500,000	1,500,000
Others	102,434,430	91,883,010
Total	**58,403,573,430**	**58,393,022,010**

On November 3, 2004, Comwell Investment Pte. Ltd, a subsidiary, acquired 10% ownership of PT Supermall Karawaci through purchase of shares owned by Rodamco Indonesia B.V (RI). The acquisition was in line with the terms stipulated in agreement dated June 15, 1999 between Rodamco Indonesia B.V. and ex Lippo Land "Merged Company", Cromwell Investment Ltd, a subsidiary, PT Larasati Anugrerah, a subsidiary, Rodamco Pasific B.V., Golden Mile Finance B.V., and PT Supermall Karawaci.

d. Time Deposits

	2005 Rp	2004 Rp
Third Party		
Foreign Currency		
PT Bank Niaga Tbk (USD 2,500,000)	24,575,000,000	--
Total	**24,575,000,000**	**--**
Interest Rates		
Foreign Currency	4%	--
Maturity Period		
Foreign Currency	5 Months	--

5. Accounts Receivable

	2005 Rp	2004 Rp
Third Parties		
Housing and Land Development:		
Shopping Centers	269,822,935,418	55,123,350,276
Land Lots	109,699,872,858	110,052,514,269
Shophouses and Residential Houses	63,938,716,679	4,005,221,574
Others	--	5,844,533,576
Healthcare and Hospitals:		
Inpatient and Outpatient	27,464,512,579	22,141,142,686
Infrastructure and Hospitality:		
Town Management and Water Treatment	39,259,711,541	30,281,704,653
Hotels and Restaurants	9,677,450,327	7,252,897,494
Recreations and Sports	936,744,574	2,876,624,741
Others	2,034,543,190	1,410,323,065
Total	522,834,487,166	238,988,312,334
Less: Allowance for Doubtful Accounts	(44,450,909,580)	(44,145,623,783)
Total Receivable Third Parties - Net	478,383,577,586	194,842,688,551
Related Parties		
Healthcare and Hospitals:		
Inpatient and Outpatient	1,248,649,863	436,078,735
Sub Total Related Parties	1,248,649,863	436,078,735
Less: Allowance for Doubtful Accounts	(204,467,631)	(51,708,789)
Total Receivable from Related Parties - Net	1,044,182,232	384,369,946
Total	**479,427,759,818**	**195,227,058,497**

The accounts receivable schedule from the date of the invoice is as follows:

	2005 Rp	2004 Rp
Third Parties		
Up to 3 months	345,450,769,497	119,367,571,049
> 3 months - 6 months	118,799,989,976	37,011,474,462
> 6 months - 1 year	5,251,456,102	14,671,546,803
> 1 year	53,332,271,591	67,937,720,020
Total	522,834,487,166	238,988,312,334
Less: Allowance for Doubtful Accounts	(44,450,909,580)	(44,145,623,783)
Total Receivable from Third Parties - Net	478,383,577,586	194,842,688,551

	2005 Rp	2004 Rp
Related Parties		
Up to 3 months	975,354,128	--
> 3 months - 6 months	--	--
> 6 months - 1 year	238,500	--
> 1 year	273,057,235	436,078,735
Total	1,248,649,863	436,078,735
Less: Allowance for Doubtful Accounts	(204,467,631)	(51,708,789)
Total Receivable from Related Parties - Net	1,044,182,232	384,369,946
Total	**479,427,759,818**	**195,227,058,497**

The movements of allowance for doubtful accounts are as follows:

	2005 Rp	2004 Rp
Third Parties		
Beginning Balance	44,145,623,783	36,368,785,444
Addition	1,023,047,411	8,120,671,425
Recovery	(717,761,614)	(343,833,086)
Ending Balance	**44,450,909,580**	**44,145,623,783**
Related Parties		
Beginning Balance	51,708,789	15,997,412
Addition	152,758,842	38,879,377
Recovery	--	(3,168,000)
Ending Balance	**204,467,631**	**51,708,789**

Accounts receivable of PT Gowa Makassar Tourism Development Tbk, a subsidiary, at a maximum of 25% from credit limit, have been collateralized for a loan obtained from PT Bank Agroniaga Tbk (see Note 14.d).

Management believes that the allowance for doubtful account is adequate to cover the possibility of uncollectible accounts receivable.

6. Other Receivables

	2005 Rp	2004 Rp
Third Parties		
Tenant Association for Apartments, Condominium and Shopping Centers	15,605,050,292	10,564,632,006
PT Artha Sarana Prima	4,575,995,927	5,213,027,272
PT Jasa Marga (Persero)	--	8,816,996,346
Others (each less than Rp 5 billion)	36,591,100,626	40,851,993,648
	56,772,146,845	65,446,649,272
Less: Allowance for Doubtful Accounts	(6,316,521,239)	(7,932,063,188)
Total	**50,455,625,606**	**57,514,586,084**

Receivables from Tenant Associations for Apartments, Condominium and Shopping Centers represent receivables of maintenance, security and electricity and water.

Receivables from PT Artha Sarana Prima represents receivables from providing security services in Lippo Kawaraci area.

Receivable from PT Jasa Marga (Persero) represents receivables on the revenue sharing on the Interchange Karawaci and Crossing Gate of Jakarta - Merak Toll Road (see Note 32.a).

The Company and the subsidiaries' management believe that allowance for doubtful accounts is adequate to cover the possibility of uncollectible other receivables.

7. Inventories

	2005 Rp	2004 Rp
Housing and Land Development:		
Land under Development	2,218,042,881,242	1,195,664,287,704
Shopping Center	437,783,557,701	368,934,218,082
Shophouses and Residential House	188,851,912,392	197,832,681,765
Office Building and Apartment	25,459,558,899	25,459,558,899
Others	6,009,385,259	5,843,602,966
	2,876,147,295,493	1,793,734,349,416
Healthcare and Hospitals:		
Medical Supplies		
Pharmaceutical	12,241,849,267	7,634,020,286
Non-pharmaceutical	3,164,693,336	4,461,465,285
Non-Medical Supplies	725,930,788	630,271,064
	16,132,473,391	12,725,756,635
Infrastructure and Hospitality:		
Hotel and Restaurant	3,067,033,920	2,715,660,280
Recreation and Sports	305,313,479	283,744,427
Others	365,128,244	288,136,373
Less: Allowance for Decline in Inventories Value	(39,505,683)	(39,505,683)
	3,697,969,960	3,248,035,397
Total	**2,895,977,738,844**	**1,809,708,141,448**

Interests and other borrowing costs capitalized into land under development amounted to Rp 301,864,089,063 and Rp 204,878,167,347 for the years ended December 31, 2005 and 2004, respectively.

As of December 31, 2005, land under development consisted of land covering a net area of approximately 44 hectares in Kelapa Dua and Bencongan village, 11 hectares in Jalan Lingkar Luar Barat - Puri Kembangan, 21 hectares in West Panunggangan village, 32 hectares in Binong village, 2 hectares in Kelapa Indah village, 45 hectares in Bonang village, 3 hectares in Sukanagalih village, 5 hectares in Pondok Jagung village, 266 hectares in Cibatu village, 26 hectares in Serang village, 66 hectares in Sukaresmi village and 256 hectares in Cicau village, 57 hectares in Kelurahan Tanjung Merdeka, 27 hectares in Kelurahan Macini sombala, 16 hectares in Tamanyeleng village, 32 hectares in kelurahan Barombong, and 14 hectares in kecamatan Mariso.

The land under development with area of 221,983 m^2 are pledged as collateral of PT Pendopo Niaga, PT Sentra Asritama Realty Development, PT Muliasentosa Dinamika, and the Company for loans obtained from PT Bank Niaga Tbk, PT Bank Agroniaga Tbk, PT Bank Danamon Indonesia Tbk and PT Bank Lippo Tbk (see Notes 14.b, 14.d, 14.g and 14.k). Part of medical supplies and non-medical supplies are pledged as collateral by PT East Jakarta Medika for loans obtained from PT Bank Permata Tbk (see Note 14.e). Land under development with area of ± 38.9 hectares are reserved for "Kavling Serasi" Product (see Note 15).

The Company's and subsidiaries' inventories have been insured against all risks, with the sum insured of Rp 259,060,000,000 and USD 300,000 as of December 31, 2005; and Rp 592,450,000,000 and USD 300,000 as of December 31, 2004. The Company's and the subsidiaries' management believe that the foregoing insurance coverage is adequate to cover possible losses from the said risks.

The Company's and the subsidiaries' management believe that the allowance for decline in value of inventories as of December 31, 2005 and 2004 is adequate.

8. Purchase Advance

	2005 Rp	2004 Rp
PT Jagat Pertala Nusantara	--	184,669,695,978
Others (each less than Rp 5 billion)	45,633,449,318	16,264,311,129
Total	**45,633,449,318**	**200,934,007,107**

Advances to PT Jagat Pertala Nusantara (JPN), a third party, is in accordance with the agreement dated December 8, 2003 between the Company and JPN; whereas the Company acts as a selling agent of Depok Town Square and the construction is performed by JPN. On May 27, 2005 JPN was acquired by PT Lippo Vacation, a subsidiary (see Note 1.c). The advances has been fully paid by JPN on November 2005.

9. Transactions and Balances with Related Parties

Transactions with related parties mainly consist of accounts receivable, intercompany advances and charges, placement in current accounts, investments and loans.

The details of the accounts balance with related parties are as follows:

	2005 Rp	2004 Rp	Percentage from Total Assets/Liabilities 2005 %	2004 %
Cash and Cash Equivalents				
PT Bank Lippo Tbk	**102,208,937,026**	**220,827,027,478**	**1.64**	**3.97**
Investments				
Promissory Notes				
PT AsiaNet Multimedia	**2,911,390,009**	**2,911,390,009**	**0.05**	**0.05**
Investment in Associates				
PT Multifiling Mitra Indonesia	15,684,968,913	12,533,389,960	0.25	0.23
PT Hyundai Inti Development	7,475,462,861	6,977,675,249	0.12	0.13
PT Nusa Medika Perkasa	2,678,477,045	3,755,519,081	0.04	0.07
PT Tritunggal Sentra Utama	2,368,153,241	2,308,158,399	0.04	0.04
PT Lippo Indorent	1,185,368,690	--	0.02	--
Others	4,910,056,500	4,910,056,500	0.08	0.09
	34,302,487,250	30,484,799,189	0.55	0.56
Total	**37,213,877,259**	**33,396,189,198**	**0.60**	**0.61**
Accounts Receivable				
Others	1,248,649,863	436,078,735	0.02	0.01
Total	1,248,649,863	436,078,735	0.02	0.01
Less: Allowance for Doubtful Accounts	(204,467,631)	(51,708,789)	--	--
Net	**1,044,182,232**	**384,369,946**	**0.02**	**0.01**
Due from Related Parties				
PT Bumi Lemahabang Permai	10,107,317,847	10,254,827,652	0.16	0.18
Employees and Directors	7,657,145,647	6,965,367,757	0.12	0.13
PT Duta Mas Kharisma Indah	4,891,935,451	4,891,935,451	0.08	0.09
PT Tunggal Griya Semesta	576,723,050	576,723,050	0.01	0.01
PT Lippo Indorent	89,241,523	1,915,042,057	0.00	0.03
Others (each below Rp 500 million)	9,620,195,871	2,098,729,540	0.16	0.04
Total	32,942,559,389	26,702,625,507	0.53	0.48
Less: Allowance for Doubtful Accounts	(13,665,783,177)	(16,388,205,581)	(0.22)	(0.29)
Net	**19,276,776,212**	**10,314,419,926**	**0.31**	**0.19**
Loans				
PT Bank Lippo Tbk	**112,675,500,000**	**75,985,500,000**	**3.47**	**1.97**

	2005 Rp	2004 Rp	Percentage from Total Assets/Liabilities 2005 %	2004 %
Due to Related Parties				
PT Bumi Lemahabang Permai	10,336,489,226	10,292,479,665	0.32	0.27
PT Gita Multi Sarana	8,677,186,674	948,560,625	0.27	0.02
PT Bintang Mulya Darmabakti	8,375,589,274	8,375,589,274	0.26	0.22
PT Dunia Air Indah	3,790,587,326	3,790,587,326	0.12	0.10
PT Cahaya Harapan	2,799,999,500	--	0.09	--
PT Adiprima Karya Nusantara	2,556,850,000	12,900,385,000	0.08	0.33
Others (each below Rp 500 million)	4,234,044,550	4,764,628,045	0.13	0.13
Total	**40,770,746,550**	**41,072,229,935**	**1.27**	**1.07**
Advance from Customer				
PT Matahari Putra Prima Tbk	**362,359,580,000**	**40,000,000,000**	**11.15**	**1.04**

The significant transactions with related parties are as follows:

Related Parties	Relationship with the Company	Transaction
PT Bank Lippo Tbk	Affiliated	Current accounts, time deposits, loans and interest income (expense)
PT Matahari Putra Prima Tbk	Affiliated	Purchase advance and accounts receivable
PT Bumi Lemahabang Permai	Affiliated	Non-interest bearing of intercompany charges, deposit in connection with the cancellation of land
PT Lippo Indorent	Affiliated	Non-interest bearing of intercompany charges
PT Pacific Utama Tbk	Affiliated	Administration agent of promissory note and "Kavling Serasi"
PT Lippo General Insurance Tbk	Affiliated	Insurance for certain assets, interest expense, medical services
PT Sharestar Indonesia Tbk	Affiliated	Professional fee, security administration
PT Hyundai Inti Development	Affiliated	Intercompany advances and investment
PT Multifiling Mitra Indonesia	Affiliated	Investment in shares of stock
PT Nusa Medika Perkasa	Association	Investment in shares of stock
PT Tritunggal Sentra Utama	Association	Investment in shares of stock
PT Bintang Mulia Darmabakti	Stockholder of subsidiary	Non-interest bearing of intercompany charges
PT Adiprima Karya Nusantara	Stockholder	Loan
PT Dunia Air Indah	Association	Investment in shares of stock
PT Gita Multi Sarana	Affiliated	Non-interest bearing of intercompany charges
PT Cahaya Harapan	Affiliated	Intercompany advances and investment
PT AsiaNet Multimedia	Affiliated	Promissory note

Transactions with related parties were conducted on equal normal business terms as with third parties' transactions, unless disclosed otherwise.

10. Undeveloped Land

	2005		2004	
	Area m^2	Value Rp	Area m^2	Value Rp
The Company	978,558	196,844,414,722	978,558	196,844,414,722
Subsidiaries:				
PT Lippo Cikarang Tbk	4,860,051	334,698,146,928	5,399,641	405,192,246,428
PT Gowa Makassar Tourism Development Tbk	2,190,985	126,749,664,256	4,255,871	224,134,558,702
PT Muliasentosa Dinamika	803,413	112,455,747,318	803,413	112,455,747,318
PT Erabaru Realindo	692,082	16,961,287,500	692,082	16,961,287,500
PT Sentragraha Mandiri	239,759	33,308,984,800	239,759	33,308,984,800
PT Sejatijaya Selaras	136,909	19,285,461,162	136,909	19,281,544,648
PT Bahtera Pratama Wirasakti	83,405	15,688,088,349	83,405	15,687,263,349
PT Surya Makmur Alam Persada	71,303	20,282,973,418	71,303	20,282,973,418
PT Mandiri Cipta Gemilang	--	--	113,952	353,738,701,318
Total	**10,056,465**	**876,274,768,453**	**12,774,893**	**1,397,887,722,203**

Undeveloped land of the Company and subsidiaries are located at Curug Wetan, Curug Kulon village, Sukabakti in Curug district, Serdang Wetan village, Rancagong in Legok district; Ciakar village, Serdang Kulon, Cukang Galih, Tangerang regency, West Java; Cipanbuan village in Citeureup district, Bogor regency, West Java; Sukaresmi, Cibatu, Cicau, Sukamukti, Sirnajati, Jayamukti, Pasirsari in Lemahabang district, South Cikarang; Tanjung Merdeka village, Barombong, Maccini Sombala, Tamanyeleng, Mariso, Benteng and Somba Opu in Makassar, South Sulawesi.

Site development permits of each land was obtained from their respective local governors.

Undeveloped land of PT Gowa Makassar Tourism Development Tbk (GMTD), a subsidiary, with area of ± 187,480 m^2 was pledged as collateral for loan obtained from PT Bank Agroniaga Tbk (see Note 14.d).

In 2005, certain undeveloped land of PT Lippo Cikarang Tbk and GMTD, subsidiaries, and all of undeveloped land of PT Mandiri Cipta Gemilang, a subsidiary, were transferred to inventory.

11. Property and Equipment

	2005					
	Beginning Balance Rp	Additions Rp	Deductions Rp	Revaluation Rp	Reclassification Rp	Ending Balance Rp
Acquisition Cost						
Direct Ownership						
Land	369,082,089,251	--	--	--	--	369,082,089,251
Building, Infrastructure and Renovations	641,730,865,035	3,290,315,487	454,771,195	--	24,337,330,271	668,903,739,598
Parks and Interiors	4,121,920,652	73,089,000	75,418,167	--	--	4,119,591,485
Golf Course and Club House	159,866,310,828	445,479,489	--	--	--	160,311,790,317
Transportation Equipment and Vehicles	25,276,290,942	1,024,773,000	3,748,442,938	--	158,504,295	22,711,125,299
Furniture Fixtures and Office Equipment	143,122,469,289	14,219,321,631	561,606,510	--	7,260,905,423	164,041,089,833
Tools and Medical Equipment	162,591,619,470	29,761,695,022	2,226,631,101	--	(44,062,301)	190,082,621,090
Machinery and Project Equipment	70,800,422,312	1,037,647,448	116,659,771	--	6,362,373,419	78,083,783,408
Bowling Machinery	14,246,729,577	31,500,000	--	--	--	14,278,229,577
Children's Playgrounds	3,121,642,093	--	--	--	--	3,121,642,093
	1,593,960,359,449	49,883,821,077	7,183,529,682	--	38,075,051,107	1,674,735,701,951
Assets under Capital Lease	4,444,844,402	--	--	--	178,600,000	4,623,444,402
Construction in Progress	32,049,254,856	51,830,440,904	--	--	(38,253,651,107)	45,626,044,653
Total Acquisition Cost	1,630,454,458,707	101,714,261,981	7,183,529,682	--	--	1,724,985,191,006

	2005					
	Beginning Balance Rp	Additions Rp	Deductions Rp	Revaluation Rp	Reclassification Rp	Ending Balance Rp
Accumulated Depreciation						
Direct Ownership						
Building, Infrastructure and Renovations	123,423,252,641	28,605,606,439	111,776,635	--	--	151,917,082,445
Parks and Interiors	2,650,915,158	444,636,742	37,709,085	--	--	3,057,842,815
Golf Course and Club House	61,650,388,269	9,891,901,155	--	--	--	71,542,289,424
Transportation Equipment and Vehicles	19,923,506,702	2,799,964,953	3,742,670,178	--	249,965,515	19,230,766,992
Furniture Fixtures and Office Equipment	108,374,493,488	15,868,204,117	506,175,110	--	(249,279,016)	123,487,243,479
Tools and Medical Equipment	97,969,567,600	18,832,017,760	1,854,100,012	--	--	114,947,485,348
Machinery and Project Equipment	34,920,061,656	8,809,030,161	103,095,871	--	(686,500)	43,625,309,446
Bowling Machinery	8,824,506,887	1,425,460,476	--	--	--	10,249,967,363
Children's Playgrounds	3,121,642,093	--	--	--	--	3,121,642,093
	460,858,334,494	86,676,821,803	6,355,526,891	--	--	541,179,629,405
Assets under Capital Lease	678,521,505	566,545,767	--	--	--	1,245,067,272
Total Accumulated Depreciation	461,536,855,999	87,243,367,570	6,355,526,891	--	--	542,424,696,677
Book Value	**1,168,917,602,708**					**1,182,560,494,329**

	2004					
	Beginning Balance Rp	Additions Rp	Deductions Rp	Revaluation Rp	Reclassification Rp	Ending Balance Rp
Acquisition Cost						
Direct Ownership						
Land	355,290,139,870	10,306,616,323	--	--	3,485,333,058	369,082,089,251
Building, Infrastructure and Renovations	442,240,529,172	51,049,229,333	640,832,078	129,075,972,000	20,005,966,608	641,730,865,035
Parks and Interiors	3,901,067,000	220,853,652	--	--	--	4,121,920,652
Golf Course and Club House	157,322,570,697	2,543,740,131	--	--	--	159,866,310,828
Transportation Equipment and Vehicles	24,394,281,618	3,203,441,567	2,251,889,764	(17,942,000)	(51,600,479)	25,276,290,942
Furniture Fixtures and Office Equipment	145,702,902,652	19,552,787,837	1,315,691,506	(21,018,629,000)	201,099,306	143,122,469,289
Tools and Medical Equipment	153,514,499,941	12,083,783,355	1,795,708,348	--	(1,210,955,478)	162,591,619,470
Machinery and Project Equipment	48,840,945,794	20,482,898,474	4,700,003	1,346,184,000	135,094,047	70,800,422,312
Bowling Machinery	14,217,604,895	29,124,682	--	--	--	14,246,729,577
Children's Playgrounds	3,121,642,093	--	--	--	--	3,121,642,093
	1,348,546,183,732	119,472,475,354	6,008,821,699	109,385,585,000	22,564,937,062	1,593,960,359,449
Assets under Capital Lease	788,400,000	3,656,444,402	--	--	--	4,444,844,402
Construction in Progress	16,581,376,403	44,485,779,216	12,552,077,692	--	(16,465,823,071)	32,049,254,856
Total Acquisition Cost	1,365,915,960,135	167,614,698,972	18,560,899,391	109,385,585,000	6,099,113,991	1,630,454,458,707
Accumulated Depreciation						
Direct Ownership						
Building, Infrastructure and Renovations	123,753,784,067	40,095,230,584	176,755,670	(40,184,102,180)	(64,904,160)	123,423,252,641
Parks and Interiors	2,164,875,000	486,040,158	--	--	--	2,650,915,158
Golf Course and Club House	54,033,633,820	8,219,972,908	--	--	(603,218,459)	61,650,388,269
Transportation Equipment and Vehicles	18,135,417,222	4,354,311,663	2,296,556,570	(370,793,167)	101,127,554	19,923,506,702
Furniture Fixtures and Office Equipment	115,094,950,050	26,316,259,763	357,262,662	(30,550,159,000)	(2,129,294,663)	108,374,493,488
Tools and Medical Equipment	80,474,788,322	15,638,647,078	613,645,142	--	2,469,777,342	97,969,567,600
Machinery and Project Equipment	24,946,178,286	20,499,244,506	4,700,000	(10,650,241,316)	129,580,180	34,920,061,656
Bowling Machinery	7,400,562,035	1,423,826,256	--	--	118,596	8,824,506,887
Children's Playgrounds	3,121,642,093	--	--	--	--	3,121,642,093
	429,125,830,895	117,033,532,916	3,448,920,044	(81,755,295,663)	(96,813,610)	460,858,334,494
Assets under Capital Lease	105,120,000	573,401,505	--	--	--	678,521,505
Total Accumulated Depreciation	429,230,950,895	117,606,934,421	3,448,920,044	(81,755,295,663)	(96,813,610)	461,536,855,999
Book Value	**936,685,009,240**					**1,168,917,602,708**

Depreciation expenses are allocated as follows:

	2005 Rp	2004 Rp
Cost of Sales and Services	28,420,649,431	26,466,740,729
Selling Expenses	989,414,846	453,359,103
General and Administrative Expenses	57,833,303,293	55,326,940,598
Total	**87,243,367,570**	**82,247,040,430**

Addition of the property and equipment in 2004 includes the property and equipment of "Merged Company" which was accounted for under the purchase method (see Note 31), and has a transferred acquisition cost of Rp 74,490,217,390 and accumulated depreciation of Rp 35,359,893,991.

In 2004, ex Aryaduta revalued certain assets in accordance with the Decree of the Finance Minister of the Republic of Indonesia No. 486/KMK.03/2002 dated November 28, 2002 and Decree of the Director General of Tax No. KEP-519/PJ/2002 dated December 2, 2002. The approval was obtained from Director General of Tax in its letter No.KEP-336/WPJ.07/BD.04/2004 dated June 29, 2004. Revaluation difference of assets having a commercial book value of Rp 191,140,880,000, after deducting deferred tax assets and liability on the assets valued at Rp 45,496,501,000, was recorded as a component of stockholders' equity of Rp 145,644,379,000, whereby the revaluation difference with tax book value of Rp 175,772,977,000, was compensated by an accumulated tax loss. In the business combination (see Note 31), the revaluation difference was included in the net asset value transferred from ex Aryaduta. The asset revaluation was conducted by PT Satyatama Graha Tara, an independent appraiser, by using the cost approach method as mentioned in its report dated May 15, 2004.

Certain medical equipment of ex Siloam, all medical equipment, machinery and office equipment of PT East Jakarta Medika, a subsidiary, land and building with its supporting facilities of Imperial Aryaduta Makassar Hotel and land and building of Aryaduta Hotel Jakarta were pledged as collateral for loans obtained by the Company and subsidiaries from PT Bank Bukopin, PT Bank Permata Tbk, PT Bank International Indonesia Tbk, PT Bank Bumiputera Indonesia Tbk and PT Bank Lippo Tbk (see Notes 14.c, 14.e, 14.f, 14.h and 14.k).

All the Company's and subsidiaries' property and equipment have been insured against fire damage and other risks, with sum insured of Rp 740,048,256,345 and USD 22,435,560 as of December 31, 2005 and Rp 562,857,429,584, USD 42,748,770 and SGD 670,156 as of December 31, 2004, respectively. The Company's and subsidiaries' management were in opinion that the sum insured were adequate to cover any possible losses.

The disposal of property and equipments represents sales of assets with details as follows:

	2005 Rp	2004 Rp
Acquisition Cost	7,183,529,682	6,008,821,699
Accumulated Depreciation	6,355,526,891	3,448,920,044
Book Value	828,002,791	2,559,901,655
Written off - Book Value	(321,048,590)	(1,403,637,614)
Selling Price	3,792,558,886	2,464,224,202
Gain on Disposal	**3,285,604,685**	**1,307,960,161**

The Company's and subsidiaries' management were in opinion that there are no impairment in the carrying value of property and equipment.

12. Intangible Assets

	2005 Rp	2004 Rp
Excess of Acquisition Cost over the Subsidiaries' Net Assets	122,269,899,311	101,788,586,372
Acquisition Cost of Software	745,642,300	667,076,781
Total	123,015,541,611	102,455,663,153
Less: Accumulated Amortization	(10,751,187,381)	(369,205,639)
Net	**112,264,354,230**	**102,086,457,514**

In 2004, excess of acquisition cost over the subsidiaries' net assets represents the difference arising from acquisition of PT Nuansa Indah Lestari, PT Aresta Amanda Lestari, PT Aresta Permata Utama, PT Fajar Usaha Semesta, PT Fajar Raya Cemerlang, PT Fajar Abadi Aditama, and PT Gowa Makassar Tourism Development Tbk by the Company for Rp 96,070,942,680; acquisition of PT Unitech Prima Indah by PT Ariasindo Sejati, a subsidiary, for Rp 5,470,663,157; acquisition of PT Pendopo Niaga by PT Lipposindo, a subsidiary, for Rp 246,980,535, while in 2005 from acquisition of PT Jagat Pertala Nusantara by PT Lippo Vacation, a subsidiary, for Rp 17,621,494,991; acquisition of PT Menara Perkasa Megah by PT Wisma Jatim Propertindo, a subsidiary, for Rp 1,151,986,397; and acquisition of PT Menara Bhumimegah by PT Kemang Village, a subsidiary, for Rp 1,707,831,551 in 2005 (see Note 1.c).

13. Other Assets

	2005 Rp	2004 Rp
Project Advance	13,286,224,311	15,125,197,790
Deferred Charges	9,566,078,360	10,281,561,494
Restricted Funds	4,531,940,440	4,004,481,113
Others	65,953,630,232	57,347,338,586
Total	**93,337,873,343**	**86,758,578,983**

14. Loans

		2005 Rp	2004 Rp
Third Parties			
Bank			
a.	Raiffeisen Zentralbank Oesterreich AG, Singapore (USD 50,000,000)	491,500,000,000	--
b.	PT Bank Niaga Tbk	181,000,000,000	--
c.	PT Bank Bukopin	46,466,666,668	59,000,000,000
d.	PT Bank Agroniaga Tbk	45,766,666,400	34,700,000,000
e.	PT Bank Permata Tbk	13,542,133,992	16,885,179,096
f.	PT Bank Internasional Indonesia Tbk	8,273,229,480	10,421,424,740
g.	PT Bank Danamon Indonesia Tbk	6,600,000,000	2,411,051,999
h.	PT Bank Bumiputera Indonesia Tbk	--	3,950,526,432
		793,148,696,540	127,368,182,267

	2005 Rp	2004 Rp
Non Bank		
i. Promissory Notes	72,011,297,126	264,591,866,752
j. Promissory Notes Corfina Finance Limited (including 2005: USD 452,973; 2004: USD 437,665)	27,481,799,302	24,741,979,065
	99,493,096,428	289,333,845,817
Sub Total Third Parties	892,641,792,968	416,702,028,084
Related Parties		
Bank		
k. PT Bank Lippo Tbk (including 2005:USD 4,850,000; 2004: USD 4,950,000)	112,675,500,000	75,985,500,000
Total	**1,005,317,292,968**	**492,687,528,084**

a. Raiffeisen Zentralbank Oesterreich AG, Singapore

On August 12, 2005, the Company obtained a Bridging Loan Facility from Raiffeisen Zentralbank Oesterreich AG, Singapore Branch amounted to USD 50,000,000, with an annual interest rate at 3% above the average current year's LIBOR and will mature in 9 months. This loan is hedged by forward exchange (see Note 15).

b. PT Bank Niaga Tbk

- Based on Credit Agreement No. 351/CBG/JKT/05 dated December 21, 2005, the Company obtained Special Transaction Credit facility with maximum amount of Rp 46,000,000,000, and bear interest rate of 18%. This loan was used to finance renovation of Aryaduta Hotel Jakarta, and Imperial Aryaduta Hotel and Country Club, Karawaci Tangerang, and will due on December 21, 2009.

- Based on Credit Agreement No. 352/CBG/JKT/05 dated December 21, 2005, the Company obtained Fixed Loan facility with maximum amount of Rp 35,000,000,000 with an interest rate of 18%. This loan was used to finance the Company's projects (except hotel division), and will due on December 21, 2006.

  Both facilities were secured by:
  1. Right to Build (HGB) No. 292 and 293. Located at Desa Gambir, Kecamatan Gambir, Kotamadya Jakarta Pusat, DKI Jakarta registered under the Company's name (see Note 11).
  2. 22 (twenty two) Rights to Build (HGB), which consist of rights numbers: 27, 29, 49, 50, 56, 57,59, 2063, 2210, 2211, 2212, 2215, 2866, 2867, 2868, 2869, 2886, 3695, 3696, 3761, 3770 and 4028. Located at Desa Kelapa Dua, Kecamatan Curug, Kabupaten Tangerang, Propinsi Jawa Barat registered under the Company's name (see Note 7).

- Based on Credit Agreement No. 430/CBG/JKT/05 dated December 27, 2005, which was amended by Credit Agreement No. 370.A/AMD/CBG/JKT/05, the Company has a Revolving Loan facility with maximum amount of Rp 300,000,000,000, and bear an interest rate ranging from 8.7% - 16%. This loan was secured by corporate guarantee from PT Villa Permata Cibodas, a subsidiary. This facility will due on December 27, 2006. The outstanding balance of this facility as of December 31, 2005 amounted to Rp 100,000,000,000.

c. PT Bank Bukopin

The loan from PT Bank Bukopin has a maximum limit of Rp 60,000,000,000. This loan was secured by certain land with area of approximately 12,840 m^2 and Company's medical equipment (see Note 11). This loan bore an annual interest rate of 16% and 14% in 2005 and 2004, respectively, and will due on August 15, 2008, including a 12 (twelve) months' grace period.

d. PT Bank Agroniaga Tbk

- In 2003, PT Muliasentosa Dinamika (MSD), a subsidiary, obtained a Fixed Installment Loan facility of Rp 30,000,000,000 carrying an interest rate of 15%-17%, which was used to complete the construction of shophouses and shopping center of WTC Matahari, Serpong. The outstanding balance of the loan amounted to Rp 12,500,000,000 as of December 31, 2005 and 2004.

  According to the loan agreement dated September 10, 2003, which was ammended by loan agreement No. 127, this loan will mature on February 15, 2006, and was secured by 2 (two) pieces of land under the Rights to Build (HGB) No. 04818/Pondok Jagung of 39,925 m^2 and HGB No. 04817/Pondok Jagung of 2,775 m^2, which are registered under the name of PT Muliasentosa Dinamika (see Note 7). Based on the agreement, MSD should use Coldwell Banker as the property agent and the building management of shophouses and shopping center of WTC Matahari Serpong (see Note 32.c).

- Based on the letter No. 278/Dir.01/VI/2004 dated June 15, 2004, PT Gowa Makassar Tourism Development Tbk, a subsidiary, obtained an approval of a Fixed Installment Loan facility with a maximum limit of Rp 24,200,000,000 for the period of 4 (four) years and bear annual interest rate of 14.5%. This loan was secured by land of approximately 187,480 m^2, 11 (eleven) operational vehicles, office equipment, and receivables with maximum of 25% of the loan limit (see Notes 5, 10 and 11). The first installment commenced from July, 2004. On December 31, 2005 and 2004, the outstanding balance of this loan was Rp 16,600,000,000 and Rp 22,200,000,000, respectively.

- In 2005, PT Pendopo Niaga (PN), a subsidiary, obtained a Fixed Installment Loan facility of Rp 25,000,000,000 and carrying an interest rate of 14.25%, which was used to refinance the development of Malang Town Square. The outstanding balance of the loan as of December 31, 2005 amounted to Rp 16,666,666,400.

  According to the loan agreement dated March 21, 2005, this loan will mature on March 31, 2007, and was secured by 2 (two) pieces of land under Rights Build (HGB) No. 289/Penanggungan of 3,272 m^2 and HGB No. 290/Penanggungan of 15,336 m^2, both are registered under the name of PN (see Note 7).

e. PT Bank Permata Tbk

The loan obtained by PT East Jakarta Medika (EJM), a subsidiary, on August 29, 2003, had a maximum limit of Rp 50,000,000,000 with an annual interest rate ranging from 14.5% to 15%. This loan is secured by EJM's assets (see Note 11), as follows:

- Land approximately of 9,990 m^2, and building; and
- All existing machines, medical equipment, office equipment, inventory and other assets including all assets that will be acquired in the future by EJM, until the repayment of the loan has been completed.

Amount and types of credit facilities obtained are as follows:

	2005 Rp	2004 Rp
Overdraft (OD)	807,423,038	833,497,418
Revolving Loan (RL)	2,783,798,833	2,783,798,834
Term Loan 1 (TL)	9,950,912,121	13,267,882,844
Total	**13,542,133,992**	**16,885,179,096**

The OD and RL facilities are available for the period of 1 (one) year from the date of agreement, and can be extended at the request of EJM. The TL facilities are available for the period 18 (eighteen) months from the date of agreement.

f. PT Bank Internasional Indonesia Tbk

Based on the notarial deed of Credit Agreement No. 57 of Sri Hartini Widjaja, SH, dated September 30, 2003, the Company obtained Term Loan (TL) amounting to Rp 12,500,000,000 that consist of:
- Term Loan I (TL I) of Rp 11,000,000,000; and
- Term Loan II (TL II) of Rp 1,500,000,000.

TL I will due on September 30, 2008, and TL II will due on November 18, 2008 based on the deed of amendment to Credit Agreement No. 46 of the same Notary related to the change in credit maturity period. This loan bears an annual interest rate of 16%.

This loan was secured by land, building, and fiduciary transfer over supporting building facilities of Imperial Aryaduta Makassar Hotel (see Note 11). This loan was used to refinance the loans extended by PT Bank Lippo Tbk, a related party.

g. PT Bank Danamon Indonesia Tbk

- Based on Loan Agreement dated December 4, 2002, PT Sentra Asritama Realty Development, a subsidiary, obtained Term Installment Credit facility with limit amounting to Rp 7,500,000,000, and with annual interest rate ranging from 15%-17%, which was used to finance the construction of Water Treatment Plan (WTP) in Karawaci.

  The loan matured on December 10, 2005 and secured by the following collaterals:
  a. 3 (three) pieces of land of Rights to Build (HGB) No. 2189/Kelapa Dua with area of 1,615 m^2, No. 2857/Kelapa Dua with area of 595 m^2, and No. 3756/ Kelapa Dua with area of 2,705 m^2, registered under the Company's name (see Note 7); and
  b. Corporate guarantee from PT Tata Mandiri Daerah Lippo Karawaci, a subsidiary.

  In 2005, this facilities was settled.

- Based on Credit Agreement No. 19 dated December 22, 2005 the Company obtained the following loan facilities:
  a. Installment Loan facility 1 (non revolving) with maximum amount of Rp 4,900,000,000 and bears an interest rate equal to SBI plus 5.5% per annum, with maximum term of 42 months without grace period commencing from December 22, 2005 and will due on June 22, 2009. This loan was used to finance the Company's investment.

b. Installment Loan facility 2 (non revolving) with maximum amount of Rp 1,700,000,000 and bears an interest rate equal to SBI plus 5.5% per annum, with maximum term of 42 months without grace period commencing from December 22, 2005 and will due on June 22, 2009. This loan was used to finance the Company's investment.

The collaterals of this credit facilities are as follows:
a. Right to Build (HGB) No. 2189/Kelapa Dua, with area of 1,615 m^2.
b. Right to Build (HGB) No. 2857/Kelapa Dua, with area of 595 m^2.
c. Right to Build (HGB) No. 3756/Kelapa Dua, with area of 2,705 m^2.

All of the collaterals are located in Banten province, Kabupaten Tangerang, Kecamatan Curug, Desa Kelapa Dua and registered under the Company's name (see Note 7).

h. PT Bank Bumiputera Indonesia Tbk

This loan is a syndicated loan obtained by the Company from several private banks with PT Bank Bumiputera Indonesia Tbk, as the facility agent. The loan was obtained to finance the renovation project of Aryaduta Hotel Jakarta with limit amounting to Rp 19,900,000,000, and bears a floating interest rate. This loan was repayable within 6 (six) years period, with the first installment due in December 1997. The loan was secured by secondary mortgage over land and building of Aryaduta Hotel Jakarta (see Note 11), rights on proceeds from hotel building insurance claims, as well as proceeds from bank guarantee claims.

Based on notarial deed of Loan Restructuring Agreement No. 44 dated June 28, 2000 of Imas Fatimah, SH, the syndicated loan amounting to Rp 14,184,377,859 which consists of the loan principal amounting to Rp 11,385,812,342 and the deferred interest (included as part of loan principal) of Rp 2,798,565,517 had been restructured under the following terms:

(i) Loan Repayment Schedule:
- Minimum of 50% of the loan principal shall be fully paid up to December 20, 2003;
- For the year 2004, the Company shall pay 5.88% of the loan principal in two equal semi-annually installments; and
- The remaining balance of the principal will be payable in 8 (eight) unequal quarterly installments through to December 31, 2006.

(ii) Interest Rate

<u>For the period 2000 up to 2003</u>

The annual interest rate is at 3% above the average interest rates of three-months time deposit of PT Bank Artha Graha, PT Bank Bumiputera Indonesia Tbk, and PT Bank Mandiri (Persero) Tbk. If the hotel's occupancy rate for the year 2001 reached 40%, then the interest rate per annum for 2002 up to 2003 is 4% above the average interest rates of three-months time deposits of the three banks as mentioned above.

<u>For the period 2004 up to 2006</u>

The interest rate is determined based on the weighted average of the prime interest rates of the loan syndicate members.

(iii) Interest Payments Method

For the period January 1, 2000 up to November 30, 2003

The Company should pay interest at 9.5% per annum. The difference between interest charged by the three banks as mentioned before with 9.5% per annum will be deferred ("Deferred Interest Payments"), and should be fully paid on December 20, 2003.

For the period 2004 up to 2006

The Company should pay all the interest due quarterly in full.

In December 2003, the Company submitted a request to PT Bank Bumiputera Indonesia Tbk, as the facility agent, for the rescheduling of repayments of a portion of the principal and interest payable of the syndicated loan, which was due on December 20, 2003. Thereafter, the Company put in abeyance the repayments of the syndicated loan until the final result of the negotiations was conducted.

For the period from February to April 2004, the Company has paid the interest payable of the syndicated loan amounting to Rp 2,986,291,755. On June 4, 2004 the Company repaid the principal of the syndicated loan amounting to Rp 7,092,188,929 (50% of syndicated loan principal). The Company then canceled the rescheduling syndicated loan principal and its interest payable and agreed with the schedule of repayments based on Loan Restructuring Agreement No. 44 dated June 28, 2000.

On October 7, 2005, the Company has settled all of its outstanding principal.

i. Promissory Notes

The Company

- On December 31, 2004, the outstanding balance of promissory notes issued by the Company were Rp 12,319,610,890 after deducted by unamortized discount of Rp 776,108,435. These promissory notes bear an annual discount rates that range between 11% to 13.5%. The Company appointed PT Pacific Utama Tbk, a related party, as the administration agent. In 2005, the Company has settled these notes.

- On December 29, 2004, the Company issued a bearer promissory notes of Rp 145,000,000,000, after deducted by unamortized discounts of Rp 16,900,097,942. These promissory notes bear an annual discount rate of 14% and have maturity date of December 29, 2005. On December 29, 2005, the Company has settled this notes.

PT Lippo Cikarang Tbk, a subsidiary

On December 31, 2005 and 2004, the outstanding balance of promissory notes issued by PT Lippo Cikarang Tbk (LC), a subsidiary, were Rp 59,885,156,250 and Rp 77,850,390,636 respectively, with annual interest rate of 12% in 2005 and 2004, respectively. These promissory notes had been extended several times, with the latest will mature on December 31, 2006. The issuance of these promissory notes was managed by Asia Growth Investment Limited. On December 31, 2005 and 2004, the outstanding balance of interest payable on these promissory notes are Rp 1.1 billion and Rp 1.5 billion, respectively. Other promissory notes issued by LC to individuals and/or companies have 1 (one), 3 (three) or 6 (six) months tenor. The issuance of these promissory notes was managed by PT Pacific Utama Tbk, a related party, as the administrative agent. These promissory notes bear annual interest rates ranging from 10.5% - 13.5% in 2005 and 2004, respectively. On December 31, 2005 and 2004, the outstanding balance of these promissory notes were Rp 12,126,140,876 and Rp 29,421,865,226, respectively.

j. Promissory Notes of Corfina Finance Limited

US Dollar

The Company entered into an agreement with Corfina Finance Limited, British Virgin Islands, as the arranger in the issuance of unsecured Promissory Notes with a maximum face value of USD 500,000. On May 31, 2001, the Company issued promissory notes with a face value of USD 430,000 which was discounted at 9% of its face value. This promissory notes were initially scheduled to mature on May 30, 2004, however, it was extended and will due on February 28, 2006 at a discounted rate of 4.6% from its face value. The outstanding balance as of December 31, 2005 and 2004 was Rp 4,452,724,590 (USD 452,973) and Rp 4,065,910,204 (USD 437,665), respectively, after deducted by unamortized discounts of Rp 21,305,018 and Rp 9,529,000, respectively.

Rupiah

In 1997, the Company issued promissory notes to finance the acquisition of a portion of Yayasan Budi Mulia assets. These promissory notes were payable to Corfina Finance Limited, Singapore (Corfina) and have been extended several times, with total balance of USD 2,442,633 (including interest of USD 142,475), and will mature on March 15, 2006. On June 17, 2004, Corfina agreed to convert these promissory notes into Rp 20,842,987,389 (1 USD = Rp 8,533). On December 31, 2005 and 2004, the outstanding balance of these promissory notes were Rp 23,029,074,712 and Rp 20,676,068,861, respectively, after deducted by an unamortized discounts of Rp 731,930,911 and Rp 166,918,528, respectively.

k. PT Bank Lippo Tbk

Rupiah

The loan obtained by the Company from PT Bank Lippo Tbk (BL), a related party, represents a Fixed Loan facility with a maximum credit limit of Rp 33,000,000,000. The outstanding balance of this loan was Rp 30,000,000,000 as of December 31, 2005 and 2004. This loan bears an annual interest rate of 14% in 2005 and 2004.

US Dollar

The Company also obtained Fixed Loan facility from BL which was used to refinance a portion of the Company's bridging loan. The outstanding balance as of December 2005 and 2004, was Rp 47,675,500,000 (USD 4,850,000) and Rp 45,985,500,000 (USD 4,950,000), respectively.

On September 2, 2003, the Company has signed an amendment to the loan agreement with BL, whereby both parties agreed to reschedule the loan repayments with terms as follows:

Repayment Date	Amount (in USD)
On the date of signing	79,768
May 26, 2004	50,000
May 26, 2005	100,000
May 26, 2006	100,000
May 26, 2007	100,000
May 26, 2008	4,600,000

This loan bears annual interest rate of 6% in 2005 and 2004.

These Rupiah and USD loans were secured by a pledge of 5,400,000 of the Company's shares, which are owned by PT Anugerah Mulia Jaya (AMJ) and PT Inti Utama Sentosa (IUS), on pari passu basis. As a result, the Company paid a compensation fee to AMJ and IUS. The Company also provide certain medical equipment as additional collateral (see Note 11).

This loan was used as working capital for Siloam Hospital. On April 26, 2005, BL had extend the maturity date to April 26, 2006.

On June 15, 2005, the Company obtained a Fixed Loan facility for a 12 months period with maximum credit limit of Rp 35,000,000,000 which was used to finance working capital. On December 31, 2005, the balance of outstanding loan was Rp 35,000,000,000 with an annual interest rate of 14%. This loan was secured by land under the Right to Build (HGB) No. 187 with area of 29,469 m^2 and HGB No. 750 with area of 24,056 m^2 in Panunggangan Barat Jatiuwung, Tangerang under the name of PT Villa Permata Cibodas, a subsidiary (see Note 7).

15. Other Payables

	2005 Rp	2004 Rp
"Kavling Serasi"	669,826,595,493	2,200,942,776,814
Forward Foreign Exchange	1,549,295,775	--
Others	144,580,737,147	79,225,178,228
Total	**815,956,628,415**	**2,280,167,955,042**

"Kavling Serasi" represents payments received from buyers of property product namely "Kavling Serasi" that was sold with a pre-selling system through the Company's marketing network. As evidence of payment, buyers receive a Kavling Serasi certificate issued by the Company, by which buyers automatically have the right to chose at anytime a certain piece of land in Kavling Serasi or choose another piece of the Company's land, or another Company's product within a certain agreed upon period of time. Each purchase is also entitled to a money-back guarantee with a certain rate of return determined in advance, and after a certain period (maximum 12 months), if buyers decide not to buy any of the Company's products. The seller and buyer may cancel product "Kavling Serasi" transaction according to the terms stipulated on the certificate. The "Kavling Serasi" product is not pledged as a collateral.

On December 21, 2005 the Company entered into a forward foreign exchange facility agreement with PT Bank Niaga Tbk amounted to USD 50,000,000 for hedging loan obtained from Raiffeisen Zentralbank Oesterreich AG (RZB), Singapore Branch. The tenor of the facility is for the maximum 9 (nine) months or on the maturity date of credit facility obtained from RZB, which one the earliest (see Note 14.a). As of December 31, 2005 the unrealized loss is amounted to Rp 1,549,295,775.

16. Accrued Expenses

	2005 Rp	2004 Rp
Estimated Cost for Construction	86,817,976,417	83,327,171,628
Interest	15,714,234,520	4,316,875,732
Salaries and Employees' Benefits	11,696,173,922	19,223,659,301
Professional Fees	8,652,291,749	7,118,517,624
Electricity, Water and Telephone	2,853,090,926	3,175,041,887
Marketing	1,923,593,406	1,530,817,669
Supplies	1,056,964,647	1,237,802,495
Others	37,299,291,510	57,980,954,099
Total	**166,013,617,097**	**177,910,840,435**

17. Taxation

a. Income Tax Benefit (Expense)

	2005 Rp	2004 Rp
Current	(162,670,018,457)	(80,287,989,315)
Deferred	(7,209,960,592)	46,155,309,626
Total	**(169,879,979,049)**	**(34,132,679,689)**

A reconciliation between income before tax benefit (expense) as presented in the consolidated statements of income, and the Company's taxable income is as follows:

	2005 Rp	2004 Rp
Income before Income Tax Benefit (Expenses) According to the Consolidated Statements of Income	535,039,905,826	336,719,877,884
Deduct:		
Income from Subsidiaries	(335,941,749,035)	(162,460,865,065)
Elimination of Transactions Related to Consolidated Subsidiaries	(156,211,618,902)	(119,511,109,873)
The Company's Commercial Income	42,886,537,889	54,747,902,946
Timing Differences		
Salaries and Employees' Benefit	8,123,495,185	4,138,031,030
Depreciation of Direct Ownership of Property and Equipment	6,042,521,449	(4,516,363,767)
Depreciation of Capital Lease Assets	492,009,773	403,962,330
Interest on Lease Obligation	241,835,136	494,088,814
Provision for Doubtful Accounts	72,986,609	1,500,867,967
Amortization of Deferred Income	(106,993,764)	(106,993,764)
Loss on Sale of Property and Equipment	(234,864,856)	(8,923,570)
Payments of Obligations Under Capital Lease	(1,667,471,636)	(1,412,201,694)
	12,963,517,896	492,467,346

	2005 Rp	2004 Rp
Permanent Differences		
Donation and Representation	1,712,136,489	310,933,332
Vehicles Rent Expense	774,054,355	293,225,393
Tax Penalties	53,071,890	--
Interest Expense	9,377,632	123,158,451
Employees' Benefits	(1,236,155,825)	252,999,037
Interest Income	(8,411,188,751)	(3,316,451,007)
Rent Income	(10,810,866,837)	(5,671,123,785)
Others	1,225,978,295	953,145,744
	(16,683,592,752)	(7,054,112,835)
The Company's Taxable Income Before Extraordinary Items	39,166,463,033	48,186,257,457
Gain on Loan Restructuring Presented as Extraordinary Items	--	4,446,653,128
Company's Taxable Income After Extraordinary Items	39,166,463,033	52,632,910,585
Loss Compensation in Last Year	(64,853,236,423)	(312,922,521,178)
Compensation Loss of Merged Company	--	(96,822,841,259)
Adjustment of Loss Compensation	32,584,616,898	292,259,215,429
Accumulated Taxable Income (Tax Loss)	**6,897,843,508**	**(64,853,236,423)**

Accumulated tax losses represent compensated tax loss from the Company as "the Surviving Company".

	2005 Rp	2004 Rp
Calculation of Estimated Current Income Tax and Tax Payable as follows:		
Income Before Estimated Income Tax from "Merged Company" (2004: ex Siloam and ex Lippo Land)	6,897,843,508	23,864,280,283
Progressive Rates	2,069,353,052	7,511,168,942
Tax Credit	--	(4,573,227,444)
Estimated Income Tax of Company Article 29	2,069,353,052	2,937,941,498
Subsidiaries		
Income Before Estimated Income Tax	535,831,645,949	243,216,656,830
Progressive Tax Rates	160,600,665,405	72,776,820,373
Tax Credit	(920,646,903)	(1,402,171,178)
Estimated Income Tax of Subsidiaries Article 29	159,680,018,502	71,374,649,195
Consolidated Income Tax Payable	**161,749,371,554**	**74,312,590,693**
Prior Years Income Tax Article 29	62,928,436,138	20,138,884,997
Consolidated Income Tax Article 29	**224,677,807,692**	**94,451,475,690**

A reconciliation between tax expense and the multiplication of the consolidated income with the prevailing tax rate is as follows:

	2005 Rp	2004 Rp
Income before Income Tax Benefit (Expenses) as per the Consolidated Statements of Income	535,039,905,826	336,719,877,884
Deduct:		
Income from Subsidiaries	(335,941,749,035)	(162,460,865,065)
Elimination of Transactions Related to Consolidated Subsidiaries	(156,211,618,902)	(119,511,109,873)
The Company's Commercial Income	42,886,537,889	54,747,902,946
Income Tax Calculated by Multiplying with Rate of 30%	(12,865,961,367)	(16,424,370,884)
Rent Income	3,243,260,051	1,701,337,136
Interest Income	2,523,356,625	994,935,302
Employees' Benefits	370,846,748	(75,899,711)
Interest Expense	(2,813,290)	(36,947,535)
Tax Penalties	(15,921,567)	--
Vehicles Rent Expense	(232,216,307)	(87,967,618)
Donation and Representation	(513,640,947)	(93,280,000)
Others	(367,793,488)	(285,943,723)
Compensation Loss of Merged Company	--	29,046,852,378
Adjustment of Loss Compensation	(9,775,385,066)	(22,603,171,128)
Recovery Allowance for Unrecoverable Deferred Tax Assets	4,511,413,070	43,062,005,848
Income Tax Benefit (Expense) of the Company	(13,124,855,538)	35,197,550,065
Current Tax of the Company - Business Combination Participants	--	(7,511,168,942)
Total Income Tax Benefit (Expense) of the Company	(13,124,855,538)	27,686,381,123
Current Tax of the Subsidiaries	(160,600,665,405)	(72,776,820,373)
Deferred Tax of the Subsidiaries	3,845,541,894	10,957,759,561
Total Income Tax Expense of the Subsidiaries	(156,755,123,511)	(61,819,060,812)
Total Income Tax Expense	**(169,879,979,049)**	**(34,132,679,689)**

b. Deferred Tax Assets - Net

Details of deferred tax assets and liabilities as presented in the consolidated balance sheets on December 31, 2005 and 2004 are as follows:

	2004	Charged to Statements of Income	Correction	2005
	Rp	Rp	Rp	Rp
The Company				
Loss Compensation	19,455,970,925	(19,455,970,925)	--	--
Allowance for Doubtful Accounts	14,785,732,948	21,895,982	--	14,807,628,930
Estimated Liabilities on Employees' Benefits	8,581,434,543	2,437,048,556	(869,711,827)	10,148,771,272
Amortization of Deferred Income from Sale and Lease Back Transactions	556,367,575	(32,098,129)	--	524,269,446
Amortization of Deferred Expense	(742,593,048)	--	--	(742,593,048)
Allowance for Unrecoverable Deferred Tax Assets	(4,511,413,070)	4,511,413,070	--	--
Depreciation	(18,732,131,338)	1,462,208,960	--	(17,269,922,378)
Others	(3,156,160,014)	--	869,711,827	(2,286,448,187)
	16,237,208,521	(11,055,502,486)	--	5,181,706,035
Subsidiaries	31,623,576,424	3,845,541,894	--	35,469,118,318
Deferred Tax Assets - Net	**47,860,784,945**	**(7,209,960,592)**	**--**	**40,650,824,353**

	2003	Charged to Statements of Income	Correction	2004
	Rp	Rp	Rp	Rp
The Company				
Loss Compensation	93,876,756,354	(8,419,475,093)	(66,001,310,336)	19,455,970,925
Allowance for Doubtful Accounts	14,335,472,558	450,260,390	--	14,785,732,948
Estimated Liabilities on Employees' Benefits	6,397,328,569	1,241,409,309	942,696,665	8,581,434,543
Amortization of Deferred Income from Sale and Lease Back Transactions	588,465,704	(32,098,129)	--	556,367,575
Amortization of Deferred Expense	(742,593,048)	--	--	(742,593,048)
Equity in Net Earnings of Associates	(3,301,059,280)	3,301,059,280	--	--
Depreciation	(17,220,299,972)	(1,511,831,366)	--	(18,732,131,338)
Allowance for Unrecoverable Deferred Tax Assets	(47,573,418,918)	43,062,005,848	--	(4,511,413,070)
Others	(262,379,840)	(2,893,780,174)	--	(3,156,160,014)
	46,098,272,127	35,197,550,065	(65,058,613,671)	16,237,208,521
Subsidiaries	20,665,816,863	10,957,759,561	--	31,623,576,424
Deferred Tax Assets - Net	**66,764,088,990**	**46,155,309,626**	**(65,058,613,671)**	**47,860,784,945**

c. Taxes Payable

	2005	2004
	Rp	Rp
Income Tax		
Article 29	224,677,807,692	94,541,475,690
Article 23	69,293,918,184	35,009,149,581
Article 21	11,278,394,212	19,393,956,282
Article 26	14,809,837	220,780,926
Article 25	--	460,019
Final	104,553,198	125,951,861
Government Sales Tax	1,823,858,089	1,973,013,816
Entertainment Tax	407,908,245	403,328,237
Acquisition Tax (BPHTB)	--	9,956,677
Totals	**307,601,249,457**	**151,678,073,089**

18. Advance from Customers

	2005 Rp	2004 Rp
Related Parties		
Shopping Centers (see Note 9)	362,359,580,000	40,000,000,000
Third Parties		
Residential Houses	89,762,267,719	63,834,758,194
Shopping Centers	55,724,501,555	243,220,582,287
Land Lots	9,404,001,582	41,733,456,574
Shophouses	2,678,524,120	--
Maintenance	2,082,960,830	1,202,272,268
Others	4,595,363,883	4,383,526,239
	164,247,619,689	354,374,595,562
Total	**526,607,199,689**	**394,374,595,562**

19. Estimated Liabilities on Employees' Benefits

The Company and its subsidiaries have determined and recognized liabilities on employees' benefits in accordance with the existing manpower regulations. Estimated liabilities on employees' benefits as of December 31, 2005 was calculated by two independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo, with their reports dated January 23, 2006 and January 2, 2006, respectively. As at December 31, 2005 and 2004 the Company and its subsiriaries has 4,128 and 4,155 employees, respectively.

Management is in the opinion that the estimate of employees' benefits is sufficient to cover liabilities.

Detail of employees' benefits recognized in statements of income:

	2005 Rp	2004 Rp
In Rupiah		
Current Service Cost (Acquired Benefits during the Current Year)	11,706,111,568	9,385,504,426
Interest Expense	7,571,789,295	7,526,554,931
Expected Return from Program of Assets	--	(881,958,000)
Recognized Actuarial Loss	(264,597,857)	1,684,781,079
Past Service Cost - Vested	--	752,411,717
Past Service Cost - Non Vested	572,077,771	490,173,712
Effect of Curtailment	(3,425,467,001)	(1,554,902,365)
Amortization of Transition Liabilities	--	(2,181,535,537)
Correction for Current Year	--	2,464,821,282
Amortization of Actuarial Adjustment	193,469,591	--
Total Employees' Benefits Expense	**16,353,383,367**	**17,685,851,245**

Reconciliation of changes on assets/liabilities recognized in balance sheets:

	2005 Rp	2004 Rp
In Rupiah		
Liabilities at Beginning of the year	66,678,683,050	48,992,831,805
Liabilities at Beginning Balance of Merged Company	467,617,341	2,672,988,570
Recognized Actuarial Loss	--	1,719,839,841
Payment of Employee Benefit in Current Year	(111,407,433)	(195,704,558)
Amount Not Recognized by the Company	--	(1,096,030,589)
Additional Liabilities on Pension Expense and Termination	--	226,162,017
Recognized Employee Benefit Expense in Current Year	15,997,173,459	14,358,595,964
Liabilities at Balance Sheet Date	**83,032,066,417**	**66,678,683,050**

Present value of liabilities, related current service cost and past service cost have been calculated by independent actuaries by using the following assumptions :

Interest Rates	: 10% - 12%
Salary Increase Projection Rate	: 10%
Mortality Rate	: 100% TMI2 and CSO'80
Permanent Disability Rate	: 5%
Withdrawal Rate	: 18 - 29 : 1% - 8.5% per annum 30 - 39 : 1% - 6% per annum 40 - 44 : 1% - 4% per annum > 45 : 1% per annum
Proportion Method Intake of Normal Pension Method	: 100%
Method	: Projected Unit Credit

The Company and its subsidiaries established defined benefit pension plans covering all their permanent employees. Pension contribution expense charged to the operation was Rp 5,738,283,830 and Rp 3,016,261,579 in 2005 and 2004, respectively.

20. Stockholders' Equity

	2005		
Stockholders	**Number of Shares**	**Percentage of Ownership %**	**Issued and Fully Paid Rp**
Greatmind Investment Limited	452,785,270	15.44	226,392,635,000
Pacific Asia Holdings Ltd	409,215,676	13.95	204,607,838,000
Capital Bloom Investment Ltd	227,658,750	7.76	113,829,375,000
Others (each less than 5%)	1,843,189,874	62.85	921,594,937,000
Total	**2,932,849,570**	**100.00**	**1,466,424,785,000**

	2004		
Stockholders	**Number of Shares**	**Percentage of Ownership %**	**Issued and Fully Paid Rp**
Pacific Asia Holdings Ltd	409,215,676	19.95	204,607,838,000
Capital Bloom Investment Ltd	227,658,750	11.10	113,829,375,000
Winnery Ltd	109,964,875	5.36	54,982,437,500
Others (each less than 5%)	1,304,547,998	63.59	652,273,999,000
Total	**2,051,387,299**	**100.00**	**1,025,693,649,500**

Based on the notarial deed of the Meeting Resolution No. 11 of Unita Christina Winata, SH dated July 21, 2004, in connection with business combination, authorized capital was increased from 3,800,000,000 shares to 8,000,000,000 shares, and issued and fully paid capital was increased from 987,668,500 shares to 2,050,943,750 shares with a par value of Rp 500 per share. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-19039.HT.01.04.Th.04 dated July 30, 2004.

Based on notarial deed of Statement of Extraordinary Shareholders' General Meeting No. 5 of Unita Christina Winata, SH, dated December 15, 2004, the Company issued new shares to the shareholders through a Limited Public Offering II in conjunction to Preemptive Rights Issuance. The authorized capital was 8,000,000,000 shares, and issued and fully paid capital was increased from 2,050,943,750 shares to 2,932,849,563 shares with a par value of Rp 500 per share. The issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his decree No. C-07114.HT.01.04.TH.2005 dated March 17, 2005. The period to register, order and make payment of this offering commenced on December 29, 2004 and continued until January 17, 2005. Up to December 31, 2004, eligible shareholders had exercised its rights totaling 443,549 shares. In 2005, the rights issued were fully exercised and the 7 warrants series I were exercised.

On December 31, 2005 the number of unexercised warrant is 529,143,481 at Rp 1,750 per share and will expire on November 30, 2007.

21. Additional Paid-in Capital - Net

	2005 Rp	2004 Rp
Rights Issue I		
Premium on Stock	87,283,750,000	87,283,750,000
Stock Issuance Cost	(11,844,180,664)	(11,844,180,664)
Sub Total	75,439,569,336	75,439,569,336
Rights Issue II		
Premium on Stock	485,048,197,150	243,951,950
Stock Issuance Cost	(7,442,812,013)	(1,613,314)
Sub Total	477,605,385,137	242,338,636
Premium on Exercising Warrant Series I	8,750	--
Excess of Market Value Over Par Value of Stock Issued in Business Combination Exercised under Purchase Method	91,701,282,075	91,701,282,075
Net	**644,746,245,298**	**167,383,190,047**

The excess of market value over par value of stock issued during business combination exercised under purchase method represents the difference between the highest share price reached during the 90 day period prior to the announcement of the business combination and par value of the Company's issued shares. The highest share price during the 90 day period prior to the business combination was Rp 825 per share while par value per share is Rp 500. Additional Paid in Capital related to Rights Issue II on January 17, 2005 amounting to Rp 477,363,046,501 has taking into account Stock Issuance Cost amounting to Rp 7,441,198,699. Premium on exercising Warrant Series I represents the difference between warrant execution price and par value. Up to December 31, 2005, certain shareholders have exercised 7 (seven) warrants.

22. Cash Dividend

Based on notarial deed of Statement of Shareholder' General Meeting No. 49 of Misahardi Wilamarta, SH, dated April 12, 2005, concerning among others, the disbursement of cash dividend of Rp 29,328,495,630 or Rp 10 per share.

23. Difference Arising from Restructuring Transactions of Entities Under Common Control

	2005 Rp	2004 Rp
Transactions from before Business Combination:		
Net Assets Value PT Saptapersada Jagatnusa	322,884,648	322,884,648
Acquisition Cost	(5,000,000,000)	(5,000,000,000)
Sub Total	(4,677,115,352)	(4,677,115,352)
Transactions from Business Combination:		
Net Assets Value ex Siloam (including ex Sumber Waluyo)	275,837,221,176	275,837,221,176
Acquisition Cost	(85,173,967,500)	(85,173,967,500)
Sub Total	190,663,253,676	190,663,253,676
Net Assets Value ex Lippo Land	69,227,950,557	69,227,950,557
Acquisition Cost	(265,747,071,500)	(265,747,071,500)
Sub Total	(196,519,120,943)	(196,519,120,943)
Net Assets Value ex Aryaduta	199,314,766,000	199,314,766,000
Acquisition Cost	(39,637,690,500)	(39,637,690,500)
Sub Total	159,677,075,500	159,677,075,500
Total	**149,144,092,881**	**149,144,092,881**

Difference arising from the restructuring transaction of PT Saptapersada Jagatnusa (SPJN), an entity under common control, incurred during the acquisition of SPJN by the Company in 2001.

Difference arising from restructuring transactions of entities under common control due to business combination amounted to Rp 190,663,253,676, Rp (196,519,120,943), and Rp 159,677,075,500, respectively, was derived from ex Siloam (including ex Sumber Waluyo), ex Lippo Land, and ex Aryaduta in 2004 (see Note 31).The difference was determined from the difference in net asset value of ex Siloam (including ex Sumber Waluyo), ex Lippo Land, and ex Aryaduta and the face value of new shares issued by the Company to stockholders of ex Siloam (including ex Sumber Waluyo), ex Lippo Land, and ex Aryaduta.

24. Net Sales, Services and Other Revenues

	2005 Rp	2004 Rp
Housing and Land Development:		
Shopping Centers	963,712,208,697	434,245,562,810
Lands for Industrial and Commercial	131,869,733,609	199,026,076,037
Residential Houses and Shophouses	86,506,188,683	319,385,092,578
Management Fee	--	1,364,474,999
	1,182,088,130,989	954,021,206,424
Healthcare and Hospitals:		
Inpatient Department		
Medical Support Services	110,658,286,550	100,605,706,959
Drugs and Medical Supplies	110,647,474,479	101,040,391,515
Ward Fees	51,433,856,281	49,806,814,772
Administration Fees	15,249,270,691	14,879,795,878
Operating Theater	12,081,006,060	9,852,861,644
Delivery Fees	1,506,423,696	1,108,025,660
Others	8,294,173,740	8,337,946,263
Outpatient Department		
Medical Support Services	130,104,368,581	106,958,817,886
Professional Fees	40,096,689,974	38,405,658,715
Registration Fees	7,377,387,332	7,399,405,158
	487,448,937,384	438,395,424,450
Infrastructure and Hospitality:		
Hotel and Restaurants	168,527,566,454	138,852,289,364
Town Management	55,740,451,347	41,413,701,053
Water Treatment	42,353,497,701	38,632,347,574
Recreation and Sports	41,196,327,613	37,090,363,166
Asset Enhancement	17,449,620,952	10,815,839,532
Others	10,146,010,866	13,459,503,882
	335,413,474,933	280,264,044,571
Total	**2,004,950,543,306**	**1,672,680,675,445**

Asset enhancement revenue consist of revenue from rental of the Company's assets.

25. Cost of Sales and Services

	2005 Rp	2004 Rp
Housing and Land Development:		
Shopping Centers	393,275,014,451	123,042,972,096
Lands for Industrial and Commercial	61,685,484,138	90,960,086,426
Residential Houses and Shophouses	46,915,491,396	221,667,452,069
	501,875,989,985	435,670,510,591

	2005 Rp	2004 Rp
Healthcare and Hospitals:		
Inpatient Department		
Salaries and Employees' Benefit	116,540,127,875	108,785,168,021
Drug and Medical Supplies	80,209,197,381	66,872,355,614
Depreciation	16,643,263,805	15,907,602,429
Food and Beverages	8,578,253,724	7,679,380,441
Clinical Supplies	4,917,364,202	6,538,980,738
Repairs and Maintenance	2,181,098,182	2,021,636,559
Others	2,943,142,415	9,347,835,406
Outpatient Department		
Salaries and Employees' Benefit	62,252,177,262	57,234,031,900
Drug and Medical Supplies	52,020,145,539	50,213,678,630
Depreciation	11,777,385,626	10,559,138,300
Clinical Supplies	6,338,979,703	6,430,274,508
Repairs and Maintenance	1,661,045,109	2,553,936,666
Others	2,156,314,452	3,499,371,908
	368,218,495,275	347,643,391,120
Infrastructure and Hospitality:		
Hotel and Restaurants	68,107,247,416	57,581,979,032
Town Management	27,520,539,920	22,297,723,626
Recreation and Sports	17,641,298,665	14,206,590,140
Water and SewageTreatment	16,338,478,395	14,253,038,370
Others	6,041,061,369	6,836,298,327
	135,648,625,765	115,175,629,495
Total	**1,005,743,111,025**	**898,489,531,206**

26. Operating Expenses

a. Selling

	2005 Rp	2004 Rp
Marketing and Advertising	39,105,461,190	54,581,077,301
Salaries and Employees' Benefit	24,509,092,762	23,489,541,450
Management Fees	7,829,758,665	3,436,089,090
Repairs and Maintenance	7,503,557,663	789,941,046
Transportation and Accommodation	3,886,101,125	5,678,496,435
Office Supplies	2,943,104,477	2,690,045,118
Water and Electricity	2,290,280,577	603,275,857
Rent	1,634,989,822	1,653,540,767
Communication	1,176,135,479	951,954,649
Depreciation	989,414,846	453,359,103
Others	9,639,612,530	8,084,287,497
Total	**101,507,509,136**	**102,411,608,313**

b. General and Administrative

	2005 Rp	2004 Rp
Salaries and Employees' Benefit	137,093,069,485	113,903,763,957
Depreciation	57,833,303,293	55,326,940,598
Water and Electricity	37,884,171,173	11,679,675,281
Repairs and Maintenance	21,852,950,740	35,083,916,904
Transportation and Accommodation	18,603,354,040	9,445,769,819
Professional Fees	18,523,185,275	14,929,115,147
Office Supplies	17,763,157,539	11,130,777,265
Communication	6,251,984,176	5,270,307,158
Rent	6,104,188,031	5,260,200,265
Training and Seminar	4,117,141,455	1,907,420,709
Representation and Entertainment	3,136,551,447	2,394,222,023
Insurance	2,824,384,391	1,789,719,682
Management Fees	2,614,452,145	3,404,550,898
Membership and Subscription Fees	1,287,229,790	691,583,078
Bad Debt Expenses	717,761,614	7,812,549,716
Taxes	686,835,199	4,287,077,133
Others	24,403,063,103	19,923,111,106
Total	**361,696,782,896**	**304,240,700,739**

27. Penalties Income

This account represents penalties on cancellations of sales transactions and late payments from customers.

28. Interest Income (Expenses) - Net

	2005 Rp	2004 Rp
Interest Income	13,695,847,350	33,588,062,546
Interest Expense	(52,358,171,204)	(65,096,485,122)
Total Interest Expenses - Net	**(38,662,323,854)**	**(31,508,422,576)**

Interest income represents interest earned from investments, cash equivalents, and bank accounts (see Notes 3 and 4). Interest expense represents interest on loans (see Note 14).

29. Gain on Disposal of Investments - Net

In 2004, gain on disposal of investments represent gain on disposal of investments in ex Aryaduta and ex Siloam owned by the Company and ex Lippo Land. The acquisition costs of such investments were Rp 71,671,974,662 and its selling prices were Rp 101,307,078,848 resulting in a gain on disposal of investments of Rp 29,635,104,186.

30. Extraordinary Items

Gain on extraordinary items consist of gain on restructuring Promissory Notes of Lippo Land Development International Finance B.V. amounting to Rp 56,426,607,327 in 2004 and loss on write-off interest receivables amounting to Rp 51,979,954,199 upon disposal of investment in promissory notes of PT Lippo Securities Tbk and PT Carita Krakatau International in 2004.

31. Business Combination

In 2004, the Company had performed business combination transaction with several companies. This business combination transaction became effective upon the approval of the amendment to the Company's article of association by Minister of Justice and Human Rights in his Decree No. C-19039.HT.01.04.Th. 2004 dated July 30, 2004. In the business combination, PT Lippo Land Tbk (ex Lippo Land), PT Siloam Healthcare Tbk (ex Siloam), PT Aryaduta Hotels Tbk (ex Aryaduta), PT Sumber Waluyo (ex Sumber Waluyo), PT Kartika Abadi Sejahtera (ex Kartika), PT Ananggadipa Berkat Mulia (ex Ananggadipa), and PT Metropolitan Tatanugraha (ex Metropolitan) were merged into the Company.

This business combination carries a conflict of interest due to existence of certain affiliated relationships in key management and ownership of several "Merged Company". This transaction has complied with the Capital Market Supervisory Board (BAPEPAM) regulations No. IX.E.1 concerning "Conflict of Interest of Transactions" and No. IX.E.2 concerning "Material Transactions and Change of Main Operation". The business combination was exercised using the pooling of interest method and purchase method according SFAS No. 22 concerning "Accounting for Business Combination" and SFAS No. 38 concerning "Accounting for Restructuring of Entities Under Common Control".

The Companies that were merged under pooling of interest method were ex Lippo Land, ex Siloam, ex Aryaduta and ex Sumber Waluyo. Whereas the companies that were merged under purchase method were ex Kartika, ex Metropolitan and ex Ananggadipa.

32. Commitments and Contingencies

a. On September 13, 1995, the cooperation agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak between the Company and PT Jasa Marga (Persero) (JM), a state owned enterprise, was legalized in notarial deed No. 84 by Agus Madjid, SH (Revenue Sharing Agreement). The construction shall be completed by the Company within a certain period as mutually agreed upon by both parties with total project cost of Rp 31,509,304,000, consisting of Rp 20,113,174,000 for the Karawaci Interchange and Rp 11,396,130,000 for the Crossing Gate. JM will operate the project upon completion and reimburse the project cost to the Company amounting to 40.5% of the daily toll revenues.

   The payment from JM to the Company was arranged as follows:
   (i). Payment for the Karawaci Interchange amounting to 17.5% of toll revenues for a period of 10 (ten) years since commencement date. This payment does not include interest; and

(ii). Payment for the Crossing Gate amounting to 23% of toll revenues for a period of 10 (ten) years since commencement date and should there remain as unpaid obligation at the end of the ten years, and JM shall pay the entire debt within 3 (three) months thereafter. This payment includes interest at 2.5% above the average one-year time deposit rate of 5 (five) government banks.

Based on notarial deed No. 94 by Agus Majid, SH, dated March 30, 2004, the Company and JM amended the Revenue-Sharing Agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak as drawn up in notarial deed No. 84 of Agus Madjid, SH dated September 13, 1995. The construction which was completed by the Company with total project cost of Rp 19,426,689,000 will be refunded by JM based upon a profit sharing scheme of the daily toll revenues from North and South Karawaci exit toll gates for a period of 10 (ten) years starting from October 1, 2001, with proportion as follows:

- 82.5% for JM including operational and maintenance expenses of 18%; and
- 17.5% for the Company.

The revenue sharing due from October 1, 2001 until September 30, 2003 was subjected to the quarterly interest rates of Bank Indonesia. Payment of balance of profit sharing for such period amounting to Rp 8,816,996,346 will be executed in six stages over payment period from April to June 2004 (see Note 6). Revenue sharing starting from October 1, 2003 will not be subject to interest charges and will be realized simultaneously with payments for the period of January - March 2004.

b. The Company and its subsidiaries entered into several agreements with contractors for development of their projects. On December 31, 2005, the total contract value on Housing and Land Development segment was amounted to Rp 86,222,459,774 and for Infrastructure and Hospitality segment was amounted to Rp 13,648,547,762.

c. On August 19, 2003, PT Muliasentosa Dinamika (MSD), a subsidiary, entered into a management agreement No. 015/AGR/BMS/HT/VIII/03 for shophouses and parking building with Coldwell Banker (CB), wherein CB will provide building management services for shophouses and parking building for a period of 1 (one) year ended on March 31, 2006. For the service of managing the shophouses and parking building, MSD shall pay a certain amount to CB as specified in the agreement (see Note 14.d).

d. The Company entered into an agreement with PT Pacific Utama Tbk (PU), a related party, in connection with the issuance of certificates of "Kavling Serasi" (Serasi) products (see Note 15), wherein PU was appointed as the administration agent, to manage maximum fund derived from sales, with current amount of Rp 2,15 trillion, with an administration agency fee of 1%. The fees charged were Rp 15,249,270,691 and Rp 18,993,199,033 for the years 2005 and 2004, respectively.

e. The Company has entered into management services agreement with certain real estate developers wherein the Company agrees to extend its services on certain projects of the developers concerned. In return, the Company will receive management fees based on a certain percentage as specified in the agreement.

Management services revenue from third parties amounted to Rp 1,364,474,999 in 2004.

f. On December 18, 1975, ex Aryaduta entered into a management agreement with Hyatt International - Asia Pacific Limited (Hyatt), Hongkong (previously Hyatt of Hongkong Limited) to operate Aryaduta Hotel Jakarta (AHJ) until December 31, 2005. On December 15, 1997, Hyatt transferred its rights and obligations under the management agreement to PT Hyatt Indonesia. On May 13, 2002, this agreement was amended to extend the operating period until December 31, 2015 and to include completion of the renovation program by December 31, 2004. On September 16, 2002, the agreement was further amended to extend the deadline for the completion of the renovation program to December 31, 2005. Based on the agreement, Hyatt will receive management and incentive fees computed at a certain rate, depending upon the fulfillment of certain conditions mentioned in the agreement.

   Management and incentive fees charged to operations amounting to Rp 2,171,336,296 and Rp 2,010,511,648 in 2005 and 2004, respectively.

   On December 31, 2005 and 2004 management and incentive fees payables to Hyatt amounting to Rp 843,259,012 and Rp 361,679,886, respectively.

g. On September 17, 1993, ex Aryaduta entered into an agreement with the Regional Government of Riau ("Riau Government") in connection with the operation of Aryaduta Hotel Pekanbaru (AHP). According to the agreement, the Company agreed to plan, develop and operate AHP whilst the Riau Government agreed to provide Rights to Use No. 466 with land area of 21,360 m^2 at Jl. Diponegoro, Simpang Empat, Pekanbaru. The Government receives a royalty fee and a share in the hotel's profits as a compensation. This agreement is valid for 25 years commencing from the date of the grand opening of the hotel and can be extended for another 10 years. In an amendment to the agreement with the Regional Government dated July 7, 1997, the Regional Government of Riau granted a landright in the name of ex Aryaduta which will be returned to Regional Government of Riau at the end of the agreement. The grand opening was conducted at January 1, 2001.

   Royalty fee expenses charged to operations amounting to Rp 222,222,000 in 2005 and 2004.

h. On August 20, 2004, the Company entered into an agreement with PT Untaian Rejeki Abadi (URA) whereby the Company will provide technical and marketing services to URA's business property with area of 10,568 m^2 for a period up to May 27, 2034, which can be extended. URA shall pay a certain amount as specified in the agreement.

i. On December 15, 2004, PT Unitech Prima Indah (UPI) and PT Pendopo Niaga (PN), subsidiaries, entered into a management construction agreement with PT Pratama Mitras Sentosa (PMS) for the development of The Grand Palladium in Medan and Malang Town Square in Malang, respectively. For such management services, UPI and PN shall pay a certain amount to PMS as specified in the agreement. This agreement ended on August 15, 2005.

j. Based on lease agreement No. 062/LK-PSM/LGL/VII/05 dated on August 31, 2005, the Company entered into lease agreement with PT Matahari Putra Prima Tbk (MPPA) that commenced on September 1, 2005 and will expired on August 31, 2010. The Company lease fully furnished residential house to MPPA.

The total rental fee for the period of 5 years is USD 348,000 (excluding VAT). The rental fee will be paid in advance for the first two years in the amount of USD 120,000 and payable upon signing and commencement of the lease agreement, whichever is earlier.

MPPA shall pay to the Company a security deposit amounting to USD 15,000 equivalent to 3 months based on rental to secure payment of all liabilities of MPPA as stipulated in the lease agreement. The security deposit shall be paid by the second parties upon signing of the lease agreement.

k. Based on lease agreement No. 001/LA-LK/PTLK-PTKG/BD-106/II-05 dated March 4, 2005 which was amended on October 21, 2005, the Company lease a plot of land with area of 8,848.57 m^2 to PT Kridapetra Graha . The lease period is for 10 years commenced from the lease agreement date. Total value of lease was amounting to Rp 16,560,000,000 with the initial base rent for the first three years start at Rp 40,000 per square meter per month inclusive of 10% Witholding Tax and 10% Value Added Tax.

PT Kridapetra Graha agreed to pay a security deposit amounting to Rp 443,796,000 in the form of a Bank transfer (cash deposit), and will be refunded when the lease period ended, or expires, or terminated.

33. Segment Information

a. Primary Segment

	2005			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Revenues				
External	1,182,088,130,989	487,448,937,384	335,413,474,933	2,004,950,543,306
Total Revenues	1,182,088,130,989	487,448,937,384	335,413,474,933	2,004,950,543,306
Result				
Segment Results	680,212,141,004	119,230,442,109	199,764,849,168	999,207,432,281
Operating Expenses				
Allocated Operating Expenses	306,885,884,403	38,126,798,899	118,191,608,730	463,204,292,032
Operating Profit	373,326,256,601	81,103,643,210	81,573,240,438	536,003,140,249
Finance Charges	(22,931,457,329)	(13,930,652,334)	(1,800,214,191)	(38,662,323,854)
Other Income (Expenses)	39,583,747,498	(4,775,172,484)	(1,024,484,501)	33,784,090,513
Income in Associates	3,855,004,075	59,994,843	--	3,914,998,918
Income Before Tax Benefits (Expenses)	393,833,550,845	62,457,813,235	78,748,541,746	535,039,905,826
Income Tax Benefit (Expenses)				
Current Tax	(157,378,011,424)	--	(5,292,007,033)	(162,670,018,457)
Deferred Tax	(934,196,055)	(3,755,003,854)	(2,520,760,683)	(7,209,960,592)
Income Before Extraordinary Items	235,521,343,366	58,702,809,381	70,935,774,030	365,159,926,777
Extraordinary Items	--	--	--	--
Income Before Minority Interests	235,521,343,366	58,702,809,381	70,935,774,030	365,159,926,777
Minority Interests	(12,939,834,398)	6,723,378,862	--	(6,216,455,536)
Net Income	222,581,508,968	65,426,188,243	70,935,774,030	358,943,471,241
Segment Assets	3,886,457,078,959	1,204,025,386,945	1,107,449,540,278	6,197,932,006,182
Investment in Associates	31,924,336,009	2,378,151,241	--	34,302,487,250
Total Assets	3,918,381,414,968	1,206,403,538,186	1,107,449,540,278	6,232,234,493,432
Segment Liabilities	967,244,355,585	1,256,058,790,215	1,025,254,822,701	3,248,557,968,501
Capital Expenditures	38,019,950,969	36,356,663,412	27,648,093,983	102,024,708,364
Depreciation	5,777,541,187	39,003,187,623	42,462,638,760	87,243,367,570
Non Cash Expenses Other than Depreciation	15,387,626,859	1,250,326,041	172,947,000	16,810,899,900

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2005 and 2004
(In Full Rupiah)

	2005			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Cash Flows from Operating				
Receipts from Customers	1,061,916,482,606	482,666,662,770	328,931,485,735	1,873,514,631,111
Payments to Third Parties	(780,998,760,311)	(319,340,165,496)	(183,418,092,301)	(1,283,757,018,108)
Others	(1,756,253,829,249)	(81,491,110,476)	(53,034,441,435)	(1,890,779,381,160)
	(1,475,336,106,954)	81,835,386,798	92,478,951,999	(1,301,021,768,157)
Cash Flows from Investing				
Acquisition of Property and Equipment	(8,612,001,831)	(37,929,893,225)	(55,280,596,413)	(101,822,491,469)
Investment	53,486,187,168	--	--	53,486,187,168
Others	(16,282,369,027)	4,438,623,085	(1,278,739,429)	(13,122,485,371)
	28,591,816,310	(33,491,270,140)	(56,559,335,842)	(61,458,789,672)
Cash Flows from Financing				
Proceeds from Loans	700,050,000,000	--	46,000,000,000	746,050,000,000
Repayments of Loans and Promissory Notes	(208,497,772,465)	(16,898,467,611)	(8,509,773,691)	(233,906,013,767)
Others	1,020,719,035,417	(41,344,277,779)	(111,216,943,907)	868,157,813,731
	1,512,271,262,952	(58,242,745,390)	(73,726,717,598)	1,380,301,799,964

	2004			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Revenues				
External	954,021,206,424	438,395,424,450	280,264,044,571	1,672,680,675,445
Total Revenues	954,021,206,424	438,395,424,450	280,264,044,571	1,672,680,675,445
Result				
Segment Results	518,350,695,833	90,752,033,330	165,088,415,076	774,191,144,239
Operating Expenses				
Allocated Operating Expenses	273,223,434,840	29,404,795,271	104,024,078,941	406,652,309,052
Operating Profit	245,127,260,993	61,347,238,059	61,064,336,135	367,538,835,187
Finance Charges	(14,018,134,420)	(12,373,156,420)	(5,117,131,736)	(31,508,422,576)
Other Income (Expenses)	15,221,744,959	(7,628,403,604)	(11,877,954,933)	(4,284,613,578)
Income in Associates	4,740,380,334	233,698,517	--	4,974,078,851
Income before Tax Benefits (Expenses)	251,071,251,866	41,579,376,552	44,069,249,466	336,719,877,884
Income Tax Benefit (Expenses)				
Current Tax	(69,470,133,067)	(4,078,842,485)	(6,739,013,763)	(80,287,989,315)
Deferred Tax	(10,213,519,166)	3,606,807,033	52,762,021,759	46,155,309,626
Income Before Extraordinary Items	171,387,599,633	41,107,341,100	90,092,257,462	302,587,198,195
Extraordinary Items	4,446,653,128	--	--	4,446,653,128
Income Before Minority Interests	175,834,252,761	41,107,341,100	90,092,257,462	307,033,851,323
Minority Interests	(18,741,221,846)	4,621,743,667	--	(14,119,478,179)
Net Income	157,093,030,915	45,729,084,767	90,092,257,462	292,914,373,144
Segment Assets	3,130,154,102,183	1,204,503,517,912	1,191,035,437,562	5,525,693,057,657
Investment in Associates	28,166,642,790	2,318,156,399	--	30,484,799,189
Total Assets	3,158,320,744,973	1,206,821,674,311	1,191,035,437,562	5,556,177,856,846
Segment Liabilities	1,305,454,691,026	1,274,165,873,043	1,275,654,766,031	3,855,275,330,100
Capital Expenditures	27,586,121,056	31,286,258,064	108,742,319,852	167,614,698,972
Depreciation	6,597,250,467	37,557,657,098	38,092,132,865	82,247,040,430
Non Cash Expenses Other than Depreciation	1,923,657,249	5,619,734,405	1,636,774,965	9,180,166,619

	2004			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Cash Flows from Operating				
Receipts from Customers	714,499,916,406	434,260,458,805	262,206,742,454	1,410,967,117,665
Payments to Third Parties	(1,194,391,603,654)	(257,242,253,191)	(240,633,077,654)	(1,692,266,934,499)
Others	698,616,186,806	(184,938,594,481)	16,257,729,055	529,935,321,380
	218,724,499,558	(7,920,388,867)	37,831,393,855	248,635,504,546
Cash Flows from Investing				
Acquisition of Property and Equipment	(21,618,832,437)	(31,286,258,064)	(38,444,121,646)	(91,349,212,147)
Investment	84,393,330,694	1,575,320,883	(11,533,769,529)	74,434,882,048
Others	171,712,830,974	537,440,000	(2,749,735,452)	169,500,535,522
	234,487,329,231	(29,173,497,181)	(52,727,626,627)	152,586,205,423
Cash Flows from Financing				
Proceeds from Loans and Promissory Notes	145,000,000,000	14,502,299,079	--	159,502,299,079
Repayments of Loans and Promissory Notes	(241,462,773,556)	(2,045,770,067)	(200,153,558,634)	(443,662,102,257)
Others	285,837,195,565	--	(337,156,397,754)	(51,319,202,189)
	189,374,422,009	12,456,529,012	(537,309,956,388)	(335,479,005,367)

b. Secondary Segment

	2005			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Assets				
Jabotabek	3,086,560,373,136	1,141,845,992,109	1,017,494,213,287	5,245,900,578,532
Jawa Timur	189,476,588,343	64,557,546,077	--	254,034,134,420
Riau	--	--	28,505,604,522	28,505,604,522
Sulawesi Selatan	464,874,689,496	--	61,449,722,469	526,324,411,965
Sumatera Utara	177,469,763,993	--	--	177,469,763,993
Total	**3,918,381,414,968**	**1,206,403,538,186**	**1,107,449,540,278**	**6,232,234,493,432**
Liabilities				
Jabotabek	574,630,971,064	1,216,012,945,070	1,015,253,960,615	2,805,897,876,749
Jawa Timur	83,141,605,139	40,045,845,145	--	123,187,450,284
Riau	--	--	4,609,063,096	4,609,063,096
Sulawesi Selatan	243,909,848,559	--	5,391,798,990	249,301,647,549
Sumatera Utara	65,561,930,823	--	--	65,561,930,823
Total	**967,244,355,585**	**1,256,058,790,215**	**1,025,254,822,701**	**3,248,557,968,501**
Revenues				
Jabotabek	701,819,766,385	415,416,575,097	282,189,116,544	1,399,425,458,026
Jawa Timur	109,174,139,008	72,032,362,287	1,388,489,099	182,594,990,394
Riau	--	--	17,070,075,202	17,070,075,202
Sulawesi Selatan	93,271,653,415	--	34,765,794,088	128,037,447,503
Sumatera Utara	277,822,572,181	--	--	277,822,572,181
Total	**1,182,088,130,989**	**487,448,937,384**	**335,413,474,933**	**2,004,950,543,306**

	2005			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Net Income (Loss)				
Jabotabek	46,946,911,233	54,934,742,588	62,922,973,139	164,804,626,960
Jawa Timur	49,250,549,602	10,491,445,655	1,388,489,099	61,130,484,356
Riau	--	--	(3,544,507,268)	(3,544,507,268)
Sulawesi Selatan	24,796,210,875	--	10,168,819,060	34,965,029,935
Sumatera Utara	101,587,837,258	--	--	101,587,837,258
Total	**222,581,508,968**	**65,426,188,243**	**70,935,774,030**	**358,943,471,241**

	2004			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Infrastructure and Hospitality Rp	Consolidated Rp
Assets				
Jabotabek	2,411,400,287,607	1,154,372,137,879	1,124,853,157,560	4,690,625,583,046
Jawa Timur	188,500,442,172	52,449,536,432	--	240,949,978,604
Riau	--	--	25,845,005,139	25,845,005,139
Sulawesi Selatan	359,020,970,941	--	40,337,274,863	399,358,245,804
Sumatera Utara	199,399,044,253	--	--	199,399,044,253
Total	**3,158,320,744,973**	**1,206,821,674,311**	**1,191,035,437,562**	**5,556,177,856,846**
Liabilities				
Jabotabek	749,619,150,314	1,240,145,675,470	1,251,958,209,573	3,241,723,035,357
Jawa Timur	133,299,497,670	34,020,197,573	--	167,319,695,243
Riau	--	--	3,739,645,972	3,739,645,972
Sulawesi Selatan	233,456,994,701	--	19,956,910,486	253,413,905,187
Sumatera Utara	189,079,048,341	--	--	189,079,048,341
Total	**1,305,454,691,026**	**1,274,165,873,043**	**1,275,654,766,031**	**3,855,275,330,100**
Revenues				
Jabotabek	678,104,084,558	379,008,902,291	249,277,430,380	1,306,390,417,229
Jawa Timur	143,404,744,262	59,386,522,159	--	202,791,266,421
Riau	--	--	16,967,018,528	16,967,018,528
Sulawesi Selatan	104,209,766,595	--	14,019,595,663	118,229,362,258
Sumatera Utara	28,302,611,009	--	--	28,302,611,009
Total	**954,021,206,424**	**438,395,424,450**	**280,264,044,571**	**1,672,680,675,445**
Net Income (Loss)				
Jabotabek	53,363,554,758	38,755,157,860	89,391,439,510	181,510,152,128
Jawa Timur	55,399,143,683	6,973,926,907	--	62,373,070,590
Riau	--	--	(2,365,808,355)	(2,365,808,355)
Sulawesi Selatan	38,308,474,526	--	3,066,626,307	41,375,100,833
Sumatera Utara	10,021,857,948	--	--	10,021,857,948
Total	**157,093,030,915**	**45,729,084,767**	**90,092,257,462**	**292,914,373,144**

34. Assets and Liabilities Denominated in Foreign Currencies

	2005					
	Foreign Currencies					Equivalent to
	USD	JPY	SGD	EUR	AUD	Rupiah
Assets						
Cash and Cash Equivalents	570,822	41,800	2,083	555	1,218	5,642,219,705
Investments	2,500,000	--	--	--	--	24,575,000,000
Accounts Receivable	2,014,399	--	--	--	--	19,801,545,246
Others Receivable	135,000	--	--	--	--	1,327,050,000
Prepaid Expenses	1,204	--	--	--	--	11,832,863
Other Assets	49,950	--	--	--	--	491,008,500
Total Assets	5,271,375	41,800	2,083	555	1,218	51,848,656,314
Liabilities						
Loans	55,302,973	--	--	--	--	543,628,224,590
Accounts Payable	55,552	--	--	--	--	546,071,835
Other Payables	453,488	--	--	--	--	4,457,787,040
Accrued Expenses	1,318,125	--	--	--	--	12,957,168,750
Total Liabilities	57,130,138	--	--	--	--	561,589,252,215
Total Net Liabilities	**(51,858,763)**	**41,800**	**2,083**	**555**	**1,218**	**(509,740,595,901)**

	2004				
	Foreign Currencies				Equivalent to
	USD	JPY	SGD	EUR	Rupiah
Assets					
Cash and Cash Equivalents	963,756	--	407	--	8,955,596,229
Investments	9,285,381	--	--	--	86,261,187,168
Accounts Receivable	614,610	--	--	--	5,709,730,523
Other Assets	50,609	--	--	--	470,157,610
Total Assets	10,914,356	--	407	--	101,396,671,530
Liabilities					
Loans	5,387,665	--	--	--	50,051,407,850
Accounts Payable	34,524	1,083,093	--	--	418,661,229
Other Payables	25,075	--	--	--	232,946,750
Total Liabilities	5,447,264	1,083,093	--	--	50,703,015,829
Total Net Assets	**5,467,092**	**(1,083,093)**	**407**	**--**	**50,693,655,701**

35. Contingencies

a. Based on the Legal Case Register No. 15/PDTG/2005/PN.TNG, No. 16/PDTG/2005/PN.TNG, and No. 17/PDTG/2005/PN.TNG dated January 24, 2005 and No. 77/PDTG/2005/PN.TNG, No. 78/PDTG/2005/PN.TNG, No. 79/PDTG/2005/PN.TNG, No. 80/PDTG/2005/PN.TNG and No. 81/PDTG/2005/PN.TNG dated April 12, 2005, respectively, Menanti Panjaitan, SH, Mayjen TNI (Purn) M.Y Amin Suyitno, SH, Rudy Andreas Tampi, Ng A Hwi, Ridwan Sunardi, Silvia Sunardi, Tansri Singaju Benui and Aida Sutjiono sued the Company (ex Lippo Land). Based on the case, it was stated that compensation was demanded due to the allegation that kiosks at Depok Town Square was sold to the above mentioned parties at the point where the land status was still under dispute (court case). In 2005, the land dispute case,

based on the legal case Register No. 15-16-17, was cancelled by the Banten High Court, whilst the legal case Register No. 77-78-79-80-81 was rejected by Tangerang District Court's. Upon the judgement to the case aforesaid, the plaintiffs are pursuing remedy either by cassation through Supreme Court of the Republic Indonesia or by appeal through Banten High Court. According to the Company's legal counsel, the event will not influence nor threat the ownership status of the land on which Depok Town Square is being built.

b. In 2004, the lawsuit filed by the heirs on land with area of 23,198 m^2 located at Pondok Cina, Beji District, Depok belonging to PT Mulia Sentosa Dinamika (MSD), a subsidiary, was withdrawn through a signed agreement between MSD and the heirs. Jason Surjana Tanuwidjaja and Tansri Bengkil had subsequent to that agreement, sued all the heirs and MSD (co-defendant) to cancel the agreement and instructed to vacate the land under dispute. Based on Notarial deed No. 13 of Unita Christina Winata, SH, dated November 23, 2004, the heirs has agreed to cancel all the legal claims against the Company. Based on decision of High Court of Bandung No. 501/PDT/2004/PT.Bdg. Jo No. 88/Pdt.G/2004/PN.Cbn, the High Court decided that land owned by the Company.

c. In 2003, based on the Legal Case Register No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/2003/PTUN-JKT dated February 11, 2003, H. Jen Bin Genjul and its associated parties, sued the Head of Land Office of West Jakarta as Defendant; the Head of BPPN as Defendant II Intervention and PT Mandiri Cipta Gemilang (MCG), a subsidiary, as Defendant II Intervention 1, amongst others claiming for the cancellation (due to its illegality) of the HGB certificates (Right to Build) No. 1810, No. 1811 and No. 2591 of the land located at South Kembangan, which were initially owned by PT Antilope Maju that was later transferred to MCG, a subsidiary. Based on the decision of the Jakarta Administrative Court No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/2003/PTUN-JKT dated July 31, 2003, those claims were rejected. This judgement was later confirmed by the Jakarta State Administration High Court. Upon the judgement to the case aforesaid, the plaintiffs are pursuing an appeal.

   As at completion date of this consolidated financial statements, the case is still in the cassation process at the Supreme Court.

   The land of which the title deeds in dispute were supported with certificates obtained from BPPN through Sale and Purchase Agreement No. 137/2003 dated May 8, 2003. Based on the progress of the claim above, the Company's legal counsel believes that MCG has a strong position and the impact of those cases will not cause significant liabilities or potential losses to MCG.

36. Basic Earnings Per Share

Basic Earnings Per Share for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004	
	Rp	Before Restatement Rp	After Restatement Rp
Weighted Average Shares Outstanding	2,894,210,124	1,886,739,590	1,886,739,590
Net Income	358,943,471,241	292,914,373,144	292,914,373,144
Adjustment Factor Due to Rights Issue	--	--	1.12
Basic Earnings Per Share	124	155	139

In accordance with Statements of Financial Accounting Standards (SFAS) No. 56 "Earnings Per Share", the basic earnings per share prior to the preemptive rights issuance should include the effect of such issuance. Accordingly, the basic earnings per share for the year 2004 was restated for comparative purposes.

37. Reclassification of Accounts

Certain accounts in the consolidated financial statements for the year 2004 have been reclassified to conform with the presentation of the consolidated financial statements for the year ended December 31, 2005 as follows:

2004			
Before Reclassification	**After Reclassification**	**Total Rp**	**Description**
Undeveloped Land	Inventories-Land under Development	358,330,312,679	Reclassification to proper account

38. Subsequent Event

In 2006, the Company plans to restructure its assets by transferring certain assets to its subsidiaries and give a corporate guarantee upon issuing of the Company subsidiary's notes. This plan was announced to shareholders on December 30, 2005 and was approved by the shareholders in its Extraordinary Shareholders Meeting on January 30, 2006.

With regards to the restructuring plan, the Company will transfer land and buildings of its 3 (three) hospitals and 1 (one) hotel to its wholly owned subsidiaries. The Company will enter into a long term lease and management agreement with these subsidiaries in connection with the transferred assets.

39. Management Responsibility on the Consolidated Financial Statements

The management of the Company is responsible for the preparation of the consolidated financial statements completed on February 1, 2006.

Corporate Data

Profile of The Board of Commissioners

Ning Gaoning – Mr. Ning Gaoning is a recognized and respected leader in the global corporate world. With many years of extensive experience in a diverse range of industries, Mr. Ning brings insightful leadership as President Commissioner of PT Lippo Karawaci Tbk. He is Chairman of China National Cereals, Oils and Foodstuffs Corporation. Mr. Ning holds a Bachelor of Arts degree in Economics from Shandong University, China; and a Masters in Business Administration in Finance from the University of Pittsburgh, USA.

Surjadi Soedirdja – Mr. Soedirdja is another invaluable member of the Board of Commissioners. As a former Governor of the Greater Jakarta Metropolitan Area (DKI Jakarta) in 1992, and as a former Minister of Internal Affairs, Mr. Soedirdja is keenly interested in and knowledgeable of the urban development needs and opportunities that are available in Indonesia. Mr. Soedirdja is also a respected community leader and had a distinguished career in the Indonesian Armed Forces, retiring with the rank of General. Mr. Soedirdja brings with him a vast experience in managing large and effective organizations. Mr. Soedirdja concurrently serves as a Senior Adviser to Krakatau Steel.

Theo L. Sambuaga – As a legislator and policymaker in the Indonesian Parliament (DPR/ MPR) since 1982, Mr. Sambuaga is conversant with many of the socio-economic and sectoral issues that affect Indonesia and the wealth of available opportunities. As a former Minister for National Housing in 1999, his insights and experience are especially beneficial in the realm of real estate development. Mr. Sambuaga was Minister of Labor in 1998, and is still an active member of the Indonesian Parliament (MPR). Mr. Sambuaga has an undergraduate degree in Social and Political Studies from the University of Indonesia, and a graduate degree from the School of International Studies, Johns Hopkins University, USA.

Agum Gumelar – Mr. Agum Gumelar is a decorated Armed Forces General, with over 30 years of experiences in managing large-scale organizations and complex operations. Upon his retirement in 1998, he continued to serve the nation as Minister of Transportation and Telecommunication and Coordinating Minister for Political Affairs, during which time he developed a sound reputation a in developing and implementing national policies in the sectors of infrastructure, transportation and national security. In addition, Mr. Agum Gumelar maintains a keen interest in sports and the traditional arts, which led him to be appointed as Chairman of KONI (Komite Olahraga Nasional Indonesia / Indonesian National Sports Committee) and Patron for a nationally renowned traditional theatre group.

Tanri Abeng – Mr. Tanri Abeng brings to PT Lippo Karawaci Tbk his invaluable executive and good corporate governance experience. From 1971 on, Mr. Abeng has held numerous top positions with established corporations, including PT Union Carbide Indonesia, PT Multi Bintang Indonesia, PT British American Tobacco Indonesia, Mitratel Indonesia, PT Sepatu Bata and the Jakarta Stock Exchange. Mr. Abeng also has wide experience in the government sector (as a Minister of State Owned Enterprises) and as a member of Indonesia's Parliament (MPR). Mr. Abeng is currently President Commissioner of PT Telkom Indonesia Tbk, Chairman of the Executive Center for Global Leadership, coChairman of the Indonesia-Malaysia Business Council, and a member of the NonAligned Movement Business Council. Mr. Abeng earned his MBA from the State University of New York, and also completed the Advanced Management Program of Claremont Graduate School, Los Angeles, USA.

Charley Song Lin – Mr. Song Lin is a senior executive with wide-ranging experience in engineering, as well as in corporate finance and investments. With his expertise in safety and environmental engineering, he has been providing Lippo Karawaci with insightful contributions, notably in the areas of project management. During the past 10 years, he has been entrusted by China Resources (Holdings) Co. Ltd. to hold a number of executive-level positions, primarily responsible for corporate development and marketing strategy, as well as strategic investments. Mr. Song holds a bachelor degree in mechanical engineering, as well as a graduate degree in Foreign Trade and Economy.

Farid Harianto – Mr. Harianto has over 15 years experience as a management consultant, including assignments with the World Bank, Asian Development Bank, CIDA and IRDC. Mr. Harianto is currently a Commissioner of PT Bhakti Investama and has also been Commissioner of the Indonesian Clearing and Guarantee Corporation, President Director of the Indonesian rating agency, PT PEFINDO (1995-1998) and Vice Chairman of Indonesian Bank Restructuring Agency (1998 - 2000). Mr. Harianto has an undergraduate degree from the Bandung Institute of Technology, and later received his Ph.D. with distinction, from the University of Pennsylvania, Wharton School, USA. Mr. Harianto is a member of the Executive Advisory Board of the Wharton School.

Eddy Sindoro – Mr. Sindoro is a seasoned professional executive. Mr. Sindoro has assumed several key positions as Chairman and President Director of several companies within the Lippo Group including PT Bank Lippo Tbk and PT Siloam HealthCare Tbk. Mr. Sindoro joined PT Lippo Karawaci Tbk in 1995 and served as its President Director and later its President Commissioner. Mr. Sindoro obtained his Bachelor of Science from the California State University, USA, and a Masters degree in Business Administration from Mississippi State University, USA.

Profile of The Board of Directors

Viven G. Sitiabudi – Ms. Sitiabudi is a professional and able entrepreneur, who brings to PT Lippo Karawaci Tbk a vast wealth of experience in general management, corporate planning and marketing. Ms. Sitiabudi is a graduate of the University of New South Wales, Australia, in Computer Science and Statistics. In 1984, Ms. Sitiabudi pioneered PT Lippo Life Insurance and assumed the position of its President Director until 1995. Ms. Sitiabudi led the Company to become one of the largest life insurance companies in Indonesia and also led its Initial Public Offering in 1989. In 1996, Ms. Sitiabudi was appointed as CEO of Legal and General Australia's operations in Indonesia. Three years later, Ms. Sitiabudi joined Allianz Life Indonesia as its Vice President Director. Prior to joining PT Lippo Karawaci Tbk as President Director, Ms. Sitiabudi ran her own business.

Tjokro Libianto – Mr. Libianto is very well versed in land development regulations and requirements, and has been instrumental in negotiating most of the Lippo Group's land acquisitions. Prior to joining PT Lippo Karawaci Tbk in 1990, Mr. Libianto was the Administrative and Financial Manager of Dwi Satya Utama in Surabaya (1984-1988), and PT Tifa Finance and PT Tifa Securities (1988-1990). After joining the Lippo Group, Mr. Libianto was promoted to Director in PT Lippo Karawaci in 1992 and in 2003 assumed the position of President Director of PT Lippo Land Development Tbk. Mr. Libianto was made President Director of PT Lippo Karawaci Tbk in March 2004 and, following the merger, has now assumed the role of Managing Director. Mr. Libianto earned his Accountancy degree from the Brawijaya University, Malang.

Lucyanna Pandjaitan – Ms. Pandjaitan has had considerable experience in financial management and accountancy as well as in corporate banking. Ms. Pandjaitan's career started in 1981 as a consultant with Touche-Ross Darmawan Financial Advisory Services. In 1984, Ms. Pandjaitan joined the Asian Development Bank in Manila in its Controllers Department before becoming a Financial Analyst/Investment Officer in the Private Sector Department in 1989. From 1993, Ms. Pandjaitan was Vice President of the Rabobank Nederland's joint venture bank in Indonesia. Ms. Pandjaitan joined PT Lippo Land Development Tbk in early 2003 as Director and became President Director in March 2004. Ms. Pandjaitan became Chief Financial Officer at PT Lippo Karawaci Tbk following the merger in 2004. Ms. Pandjaitan is a graduate of the Faculty of Economics, University of Indonesia, majoring in Accountancy.

Jopy Rusli – Mr. Rusli has used his architectural talent and experience to create and effectively market many of Lippo Karawaci's successful products. Mr. Rusli now heads the marketing force in the Company's Property Division. Mr. Rusli began his career as a Project Designer with Tritipo & Associates in Carlsblad, California, USA and as a Project Manager and Designer with the Pacific Architecture and Planning Group, San Diego, California. After returning to Indonesia in 1990, Mr. Rusli became a Director of PT Califa Pratama, a subsidiary of Gunung Sewu & Duta Anggada Realty. Prior to assuming his current position as Director in PT Lippo Karawaci Tbk in 1996, Mr. Rusli had been Head of the Company's Architectural Division from 1993. Mr. Rusli holds a Bachelor's Degree in Architecture from the University of Oregon, and a Master's Degree in Real Estate from the National University, San Diego, USA.

Hendra Agus Sugandi – Mr. Sugandi began his career in 1993 with Prasetio Utomo & Co – Arthur Andersen Public Accounting Firm, where Mr. Sugandi gained considerable insight by auditing the accounts of large Indonesian finance and property companies. Prior to joining PT Lippo Karawaci Tbk as a Director in July 2004, Mr. Sugandi gained substantial experience in corporate finance, both as a manager and in advisory roles. Mr. Sugandi was a Vice President - Asset Management and Investment Division of BPPN (Indonesian Banking Restructuring Agency) supervising several divestment programs.
Mr. Sugandi was awarded his Accountancy degree from the Faculty of Economics, University of Atmajaya, Jakarta.

Profile of Senior Executives & Corporate Secretary

Gordon Benton, OBE – Mr. Benton has been a major influence in PT Lippo Karawaci Tbk and is perhaps one of the most experienced urban planning, municipal management and architectural talents in Indonesia today. With nearly fifty years of applied experience, Mr. Benton has had a distinguished career that began in Scotland, continued in Kenya, Iran, the Indian sub-continent, and many Southeast Asian countries that required modern urban and city planning, formulation of city management concepts, architectural and construction design, project and municipal management. Mr. Benton has also had the distinction of being named an Officer of the Most Excellent Order of the British Empire by Queen Elizabeth as well as having at various periods been a member of the Singapore, Malaysian, and Royal Institute of British Architects. Mr. Benton has moreover won several awards and recognitions in architectural design competitions in Pakistan, Kuala Lumpur, Singapore and Indonesia. Mr. Benton has been an active member of the St Andrew's Societies in Brunei, Java and Singapore.

Professor Michael Vaughan Henderson – Professor Henderson is the Group's strategic leader expertly guiding healthcare growth and development in his position as Chairman of the Board of Advisors of the Siloam Hospitals Group. He has been pivotal in creating and developing a number of international healthcare businesses and research institutes, bringing with him strong commercial skills and corporate governance. His network and introductions of professional associates to these organizations has been invaluable in their development and ongoing sustainability. Professor Henderson currently has academic appointments to Curtin, Edith Cowan and Murdoch Universities in Australia.

Professor Henderson was recently recognized in a select group, including two of the most recent recipients of the prestigious Australian of The Year award, as one of the most influential in science and technology. Amongst other professional posts, he is presently Chairman of the Australian National Nursing Research Institute, the Australian Institute for Radiochemical Engineering and Vice Chairman of the e-Medicine Centre of Excellence and sits on the board of the Cancer Council.

Walter Terence Gilmore – Bringing over 26 years of hospital and healthcare administration experience to Lippo, Mr. Gilmore is well equipped to manage the Group's invaluable Healthcare Services. In 1978, Mr. Gilmore began his career as an Administrative Assistant with the Princess Margaret Hospital for Children in Perth, Australia, Over the years, Mr. Gilmore assumed positions with more challenging managerial responsibility, including directorships at the King Edward Memorial, Freemantle and Charles Gardner Hospitals in West Australia. Prior to joining PT Lippo Karawaci Tbk in 2004 as a Director, Mr. Gilmore was Chief Executive of the Mount Private Hospital in Perth, Australia. Mr. Gilmore holds a Bachelor's degree in Business, majoring in Accounting and Finance from the Churchlands College of Advanced Education, and a Graduate Diploma in Health Sciences from Curtin University, both in Australia.

Ketut Wijaya – Mr. Ketut brings in-depth expertise in retail and corporate finance to the Company, with over 30 years of experience, holding various executive positions in the Lippo Group including PT Matahari Putra Prima Tbk, PT Multipolar Corporation Tbk and PT LippoBank Tbk. Prior to joining Lippo Group, he worked for PT Bridgestone Tire Indonesia and Darmawan & Co. Public Accounting Firm. Since August 2005, Mr. Ketut was appointed CFO of PT Lippo Karawaci Tbk. He holds an Accounting degree from Sekolah Tinggi Ekonomi Indonesia, Jakarta

L. Krisnan Cahya – Mr. Cahya has over 25 years of experience in Corporate Finance and Banking. Starting his career in 1984 as an Officer at PT Bank Panin, he quickly moved up the management ranks and held various executive positions in that Bank and in PT Bank Bali. He joined Lippo Group in 2001 as CFO, and then as Director of PT Multipolar Corporation Tbk. Since August 2005, he was appointed Senior Executive of PT Lippo Karawaci Tbk, responsible for Corporate Finance and Banking Relationship affairs.

Susanto – Mr. Susanto is an experienced Finance and Accounting professional. He started his career as a consultant at Prasetio Utomo & Co - Arthur Andersen Public Accounting Firm and held last position as Andersen World Wide Manager. He joined Lippo Group in 2000 as Finance and Accounting Division Head of PT Lippo Karawaci Tbk. In 2001, he was appointed Director of PT Lippo Cikarang Tbk and in August 2004, he was appointed as Chief Controller with PT Lippo Karawaci Tbk. Mr. Susanto holds an Accounting degree from STIE "YAI", Jakarta.

Profile of Senior Executives & Corporate Secretary

Krishnadi Kartawidjaja – Mr. Kartawidjaja is a prominent figure, with more than 25 years experience in Indonesia's property and hospitality industry. He joined PT Aryaduta Tbk as Director in 1997 and in 2005 was appointed Senior Executive of PT Lippo Karawaci Tbk, responsible for overseeing the Company's Hotels and Restaurants business. Previously, he served as Director in Sendang Group (1994-1997) and Director in Jaya Group (1981-1994). He holds a Civil Engineering degree from Trisakti University, Jakarta and an MBA degree from Prasetya Mulya Management Institute, Jakarta.

Corporate Secretary

Jenny Kuistono - Ms. Kuistono joined the Lippo Group in 1986 as a Junior Systems Engineer with PT Multipolar Corporation Tbk. Ms. Kuistono has since become an experienced executive, highly conversant with the diverse operations of many of Lippo's companies. Ms. Kuistono assumed the positions of President Director and Commissioner of PT Sharestar Indonesia, General Manager of PT Jasa Century Permai Nusantara (JCPenney), and was Director of PT Multipolar Corporation Tbk until July 2004 when Ms. Kuistono was appointed Corporate Secretary of PT Lippo Karawaci Tbk. Ms. Kuistono has a degree in Electronic Engineering from Trisakti University, Jakarta.

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